

AR26

**annual
reports**

for the year
ended

August 31

1968

THE SULLIVAN MINING GROUP

SUMMARY BALANCE SHEET
(SUBJECT TO YEAR END AUDIT)

	FEBRUARY 29	
	1968	1967
ASSETS		
Current assets	\$ 3,359,253.	\$ 2,926,159.
Investments, at market	2,340,276.	1,802,027.
Fixed and other assets	1,486,745.	1,790,688.
	<u>\$ 7,186,274.</u>	<u>\$ 6,518,874.</u>
LIABILITIES		
Current liabilities	\$ 19,322.	\$ 46,209.
Mortgage	29,000.	36,083.
Shareholders' equity		
2,550,000 outstanding shares.	7,137,952.	6,436,582.
	<u>\$ 7,186,274.</u>	<u>\$ 6,518,874.</u>

STATEMENT OF OPERATIONS

(SUBJECT TO YEAR END AUDIT)		
Net sales	\$ 37,212.	\$ 50,700.
Deduct: costs & expenses	40,205.	44,259.
Depreciation & amortization	121,660.	156,957.
Idle Plant expenses	—	79,756.
	<u>161,865.</u>	<u>280,972.</u>
Operating loss	124,653.	230,272.
Investment and other income	368,427.	258,923.
Net profit for the 6 months	<u>\$ 243,774.</u>	<u>\$ 28,651.</u>

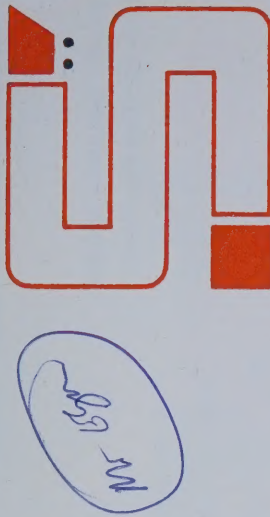
PER SHARE DATA

Net profit	\$0.10	\$0.01
Book net worth	\$2.80	\$2.52

NOTES

1. The Sullivan gold mine closed in December 1967.
2. The following canadian prices of metals were used in recording the production of Hastings: copper \$0.52, zinc \$0.13 and lead \$0.10 per pound.
3. The 1967 comparative period of Hastings reflects the six months' strike at the Solbec Mine.
4. The estimated profit of Cupra for the six month period amounts to \$2,263,557 (\$1,651,965 in 1967). ~~337~~
Cupra paid to the companies of The Sullivan Mining Group dividends totalling \$1,600,000 (\$1,800,000 in 1967).

**Interim
Reports
for the six months
ended February 29
1968**



SULLIVAN CONSOLIDATED MINES LIMITED

SUMMARY BALANCE SHEET (SUBJECT TO YEAR END AUDIT)

	FEBRUARY 29	
	1968	1967
ASSETS		
Current assets	\$ 886,220.	\$ 1,639,577.
Investments, at market	19,243,910.	15,193,071.
Fixed and other assets	4,632,618.	4,585,205.
	<u>\$24,762,748.</u>	<u>\$21,417,853.</u>
LIABILITIES		
Current liabilities	\$ 90,281.	\$ 76,357.
Shareholders' equity	24,672,467.	21,341,496.
4,000,000 outstanding shares.	<u>\$24,762,748.</u>	<u>\$21,417,853.</u>

STATEMENT OF OPERATIONS (SUBJECT TO YEAR END AUDIT)

Bullion production	\$ 508,065.	\$ 692,828.
Gold assistance	101,000.	176,500.
Costs and expenses	609,065.	869,328.
Operating profit	601,036.	784,030.
Investment income	8,029.	85,298.
Net profit for the 6 months	1,204,427.	1,152,622.
	<u>\$ 1,212,456.</u>	<u>\$ 1,237,920.</u>

-2.146

See Notes 1 and 4

PER SHARE DATA

Net profit	\$0.30
Dividends paid during period	\$0.16
Book net worth	\$6.17

EAST SULLIVAN MINES LIMITED and its subsidiary

SULLICO MINES LIMITED SUMMARY CONSOLIDATED BALANCE SHEET (SUBJECT TO YEAR END AUDIT)

	FEBRUARY 29	
	1968	1967
ASSETS		
Current assets	\$ 4,823,384.	\$ 3,964,960.
Investments, at market	21,577,189.	19,110,047.
Fixed and other assets	808,347.	1,047,364.
	<u>\$27,208,920.</u>	<u>\$24,122,371.</u>
LIABILITIES		
Current liabilities	\$ 35,008.	\$ 200,333.
Minority interest	347,996.	306,532.
Shareholders' equity	4,250,000 outstanding shares.	26,825,916.
	<u>\$27,208,920.</u>	<u>\$24,122,371.</u>

CONSOLIDATED STATEMENT OF OPERATIONS (SUBJECT TO YEAR END AUDIT)

Net production	—	\$ 1,140,995.
Costs and expenses	142,355.	838,970.
Operating profit	—	302,025.
Investment income	1,935,902.	1,842,662.
Provision for taxes	1,793,547.	2,144,677.
Less: minority interests	—	175,000.
Net profit for the 6 months	24,394.	1,969,677.
	<u>\$ 1,769,153.</u>	<u>\$ 1,942,895.</u>

-8.9

See Note 4

PER SHARE DATA

Net profit	\$0.42
Dividends paid during period	\$0.30
Book net worth	\$6.31

HASTINGS MINING AND DEVELOPMENT CO. LTD. and its subsidiary

SOLBEC COPPER MINES, LTD. SUMMARY CONSOLIDATED BALANCE SHEET (SUBJECT TO YEAR END AUDIT)

	FEBRUARY 29	
	1968	1967
ASSETS		
Current assets	\$ 4,161,397.	\$ 5,065,629.
Investments	383,134.	226,919.
Fixed and other assets	806,300.	1,042,582.
	<u>\$ 5,350,831.</u>	<u>\$ 6,335,130.</u>
LIABILITIES		
Current liabilities	\$ 413,956.	\$ 355,584.
Shareholders' equity	4,936,875.	5,979,546.
5,000,000 outstanding shares.	<u>\$ 5,350,831.</u>	<u>\$ 6,335,130.</u>

CONSOLIDATED STATEMENT OF OPERATIONS (SUBJECT TO YEAR END AUDIT)

Net production	\$ 1,955,955.	\$ (117,937.)
Costs and expenses	1,014,507.	281,618.
Depreciation & amortization	171,914.	85,526.
Operating profit	1,186,421.	367,144.
Profit on sales of assets	769,534.	(485,081.)
Investment income	—	303,523.
Provision for taxes	210,443.	282,503.
Net profit for the 6 months	979,977.	100,945.
	<u>\$ 305,000.</u>	<u>—</u>
	<u>\$ 674,977.</u>	<u>\$ 100,945.</u>

6.697

See Notes 2, 3 and 4

PER SHARE DATA

Net profit	\$0.13	\$0.02
Dividends paid during period	\$0.30	\$0.20
Book net worth	\$0.99	\$1.20

August 7, 1968.

SULLIVAN CONSOLIDATED MINES LIMITED
(Traded on the Toronto & Canadian Stock Exchanges)

CAPITALIZATION & CURRENT INVESTMENT DATA

<u>CAPITAL STOCK</u> , shares of \$1 Par Value:				Authorized = 4,000,000;		Outstanding = 4,000,000			
Ticker	Recent	1967/68 Price Range		Dividend		Earnings		Price/Earn. Ratios	
<u>Symbol</u>	<u>Price</u>	<u>High</u>	<u>Low</u>	<u>P.Sh.</u>	<u>Yield</u>	<u>Year</u>	<u>Cash</u>	<u>Net</u>	<u>Cash</u> <u>Net</u>
SUL	\$4.35	\$5.85	\$3.80	32¢	7.4%	1967	61¢	60¢	7.1 7.3
				Estimated for 1968			=	64¢	6.8

THE COMPANY & ITS BACKGROUND

The miniature mining empire now known as The Sullivan Group had its beginning in 1932 when Dr. Pierre Beauchemin and associates formed Sullivan Consolidated to develop and operate a gold property in the Bourlamaque area of northwestern Quebec. Over its life span of 35 years (operations terminated in December 1967) the Sullivan mine produced 5,850,000 tons of ore from which more than 1.1 million ounces of gold were recovered. Earnings won from the operation enabled the Company to pay dividends totalling more than \$14 million to this date. More important however, Sullivan's retained earnings were utilized over the years to sustain an aggressive approach to exploration and property acquisition. The Company's record in that regard is one of exceptional achievement, which constitutes a personal memorial to the vision, determination, unusual ability and acumen of Dr. Beauchemin, following his decease earlier this year. In 1944 Sullivan Consolidated engendered East Sullivan Mines Limited, a base metal mining associate that was to grow to stature comparable with its parent's. With an increased flow of earnings emanating from two mines instead of one, the companies joined forces to create producing operations at Quebec Lithium Corp. Ltd. (1956), Hastings Mining & Development Ltd. (1962), Cupra Mines Ltd. (1965) & Nigadoo River Mines Ltd. (1967). Additionally, under the same sponsorship D'Estrie Mining Co. Ltd. is preparing its property for production next year; while aggressive exploratory programs, looking to the development of future producing operations, are in progress on properties owned by Chester Mines Ltd. & Wisconsin Mining Co. Ltd. The progressive increase in Group earning capacity, which resulted from these developments, is reflected in Sullivan's rapidly rising dividend income (shown in the table below). The effect has been to quadruple the Company's earnings in a period of only four years.

SELECTED FINANCIAL PERFORMANCE STATISTICS
(As at Fiscal Year Ends on August 31st)

Year	INCOME & EARNINGS			WORKING CAPITAL		PORTFOLIO VALUATIONS			
	Div'd Income	Net Earn.	P.Sh.	Total	P.Sh.	Shareholdings*	Advances	Total	P.Sh.
1967	\$2,252,526	\$2,416,363	60¢	\$ 647,815	16¢	\$12,590,752	\$3,175,055	\$15,765,807	\$3.94
1966	2,184,052	1,944,150	49¢	1,139,694	28¢	15,890,512	1,658,555	17,549,067	4.39
1965	1,053,867	1,202,672	30¢	930,678	23¢	17,043,420	1,198,697	18,242,117	4.56
1964	568,174	660,238	16¢	1,526,021	38¢	12,085,913	556,930	12,642,843	3.16

NOTE: * Valued at market if listed, otherwise at book value.

SUMMARY & CONCLUSIONS

With Sullivan and East Sullivan both reduced to holding company status through recent closure of their mines, and with the installation of a young, alert and highly skilled management team, we feel corporate changes of significance could be imminent within the Sullivan Group. The interests held by the two senior corporate members are identically parallel. On a joint ownership basis major positions are held in other Group associates as follows: Hastings (51.3%), Cupra (90%), Quebec Lithium (58.6%), Nigadoo (79%), D'Estrie (100%). Moreover, there is an interlocking of ownership as well - in that Sullivan owns 36.7% of East Sullivan while East Sullivan owns 28.5% of Sullivan. There is an obvious crying need for wholesale consolidation within the Group and the benefits thereof would be so dramatic that we cannot believe positive action will be long deferred. After making the best assessment possible at this time, we might hazard a guess that an equitable share exchange offer might be in the order of 130 Sullivan shares for each 100 East Sullivan shares held - with Sullivan Consolidated to be the continuing corporate entity. Calculation shows that 1966 earnings for a company resulting from amalgamation on such a basis would have been about \$1.25 per share; while for last year, when Hastings suffered a 6-month long strike, the comparable figure would have been 63¢. These hypothetical figures compare with actual earnings reported by Sullivan of 49¢ per share in fiscal 1966 & 60¢ last year. Interpolating from the nine-month results to May 31, 1968, earnings for such an amalgamated company would probably equate to at least 90¢ per share in the current fiscal year. The appreciation benefits in the marketplace resulting from the publication of earnings of such a substantially increased order will be perfectly obvious.

Sullivan's current 32¢ dividend is well protected and, according to our calculations will so remain. Hastings' depleting base metal mine should contribute over \$1 million to the Group's annual earnings for at least another year; while the neighbouring Cupra, which has earned more than \$12.5 million net in only three years of production, still has available reserves of high-grade copper-zinc-lead-silver ore to sustain its operation for three further years. The Nigadoo in New Brunswick, milling a silver-rich lead-zinc ore at the rate of 1,000 tpd, will provide a substantial new source of earnings in fiscal 1969. Then, when the ore at Hastings is exhausted, new production from D'Estrie's much higher-grade orebodies, on the down-dip extension of the Cupra zone, will give Group earnings another major upward thrust.

We recommend the accumulation of Sullivan shares at their present level for sustained high income and for their substantial appreciation potential if, as we think likely, early action is taken to consolidate the various Group interests in a single corporate entity.

Shareholders of Hastings Mining and Development Co. Ltd. at a special meeting in Montreal today, gave approval, by large majority vote, to a proposal to sell all of the company's assets and liabilities to Sullivan Consolidated Mines Limited for \$3,854,505.

The shareholders also approved a resolution which provides for purchase of 800,000 shares of Sullivan Mines Ltd. at \$5 per share.

Further resolutions were approved by Hastings shareholders which provide for the distribution, at a later date, of all assets of the company (which would then consist of shares in Sullivan Mines Ltd. only) and the surrender of the company's charter.

There were 3,632,751 shares voted for the resolutions. Three shareholders voted 350,097 shares against the resolutions and two shareholders, holding one share each, abstained.

The meeting learned that an action, with hearing pending, has been brought by a dissenting shareholder, seeking to set aside the sale and purchase agreement. A previous petition by the same shareholder, seeking to prevent a special meeting, was heard and denied by the court.

Following the Hastings meeting, a special meeting of shareholders of Sullivan Consolidated Mines Limited approved a resolution covering the purchase of the Hastings assets. The meeting also approved resolutions providing for an increase in Sullivan's authorized capital from four million to five million shares, change of name of the company to Sullivan Mines Ltd. and, after converting its \$1 par value shares into shares of no par value, the sale of 800,000 Sullivan Mines Ltd. shares to Hastings.

It is proposed that the distribution of Hastings assets, when made, would be on the basis of 16 shares of Sullivan Mines Ltd. for each 100 shares of Hastings held.

All regulatory bodies concerned have accepted notices from the companies of the transactions, it was reported.



- **Sullivan Consolidated Mines Limited**
- **Sullivan Mines Ltd.**
- **East Sullivan Mines Limited**
- **Quebec Lithium Corporation**
- **Hastings Mining and Development Co. Ltd.**
- **Cupra Mines Ltd.**
- **D'Estrie Mining Company Ltd.**
- **Weedon Mines Ltd.**
- **Nigadoo River Mines Limited**

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Les actionnaires qui
préfèreraient recevoir ce rapport
en français sont priés
de communiquer avec le
secrétaire de la compagnie,
suite 1400, 507 Place d'Armes,
Montréal 126, Qué.

THE SULLIVAN MINING GROUP



J. JACQUES BEAUCHEMIN Q. C.

Ladies:

Gentlemen:

It is with pleasure that the directors submit to you the annual reports of the leading companies of the Sullivan Mining Group for the fiscal year ended August 31, 1968. For your convenience and information, the reports are included in one booklet.

Also included again is a summary consolidated balance sheet showing distribution of the Group's assets and liabilities, and net worth of the leading companies (see pages 4, 5 and 6). In arriving at net worth, no market values have been used.

FINANCIAL HIGHLIGHTS

Net profits received by the Sullivan Mining Group during the 1968 fiscal year amounted to \$5,487,056, a gain of approximately 36% from profits of \$4,037,540 for the 1967 fiscal period. The Group's overall production revenue was \$20,845,307, nearly \$8 million higher than in the 1967 fiscal year when income was adversely affected by a six-months' strike at the Solbec mine.

The new summary consolidated balance sheet shows that the Group's net worth is \$36,193,399. During the latest year a yield of 16% was obtained. Dividend disbursement by companies of the Group amounted to \$3,441,492, leaving 37% of the profits, or \$2,045,564, as retained earnings. Since 1937, the Sullivan Mining Group has paid a total of \$35,982,938 in dividends to shareholders outside the participating companies. The overall total of dividends declared by the operating companies amounts to \$79,475,250.

RECENT EVENTS

Following the fiscal year-end, a corporate development of considerable importance was the approval, by a large majority of shareholders at special general meetings, of a purchase and sale agreement between Hastings Mining and Development Co. Ltd. and Sullivan Consolidated Mines Limited. The transactions, referred to in the Hastings and Sullivan Consolidated reports, will result in continuing benefits to the shareholders of both companies.

EXPANSION

The forward exploration policy of the Sullivan Mining Group has resulted in several new situations which can be considered as potential sources of production and profits in years to come. Among these are Chester Mines Limited and Weedon Mines Ltd. where exploration programs are in progress at properties of both affiliates.

More advanced is the exploration development program at the d'Estrie property where production can be anticipated within the next two years. While present operations at Cupra Mines Ltd. are providing a satisfactory return, there are indications of what might be an important new ore development at this mine.

GENERAL

The metal markets in which Group companies sell their production have returned above-average prices, compared to price levels on domestic markets. Lead and zinc prices, after taking into account the erosion of the dollar, have been at historical lows for the past year. For copper, the consensus is that prices should remain favourable over the next few years.

Many shareholders learned with regret of the death, on April 28, 1968, of Dr. Pierre Beauchemin, President and director of the companies of the Sullivan Mining Group. The loss of the founder of this Canadian mining organization was felt with great sorrow by those who knew him. He fulfilled his duties with ability and wisdom and unselfishly gave of himself for the success of his companies. To his memory, the directors testify to the esteem and appreciation of those who shared his goal and contributed to his success by their efforts, their investments and their faith.

November 22, 1968

A large, stylized handwritten signature of J. Jacques Beauchemin in dark ink.

President of the companies
of the Sullivan Mining Group

ASSETS

	August 31, 1968	August 31, 1967
CURRENT ASSETS:		
Cash on hand and in bank	\$ 305,695	\$ 508,288
Time deposits	5,207,860	5,767,795
Marketable securities at cost:		
Bonds (market value \$5,055,145)	5,068,584	4,633,527
Banks, public utilities and industrial shares (market value \$1,029,295)	870,398	872,417
Dividends receivable and accrued interest	66,687	81,459
Accounts receivable	61,648	761,846
Income taxes recoverable	12,750	128,918
Bullion at net realizable value	—	119,501
Receivable under the Emergency Gold Mining Assistance Act — estimated	29,739	148,076
Concentrates valued at estimated net return under firm sales contract less advances thereon	4,776,562	1 148,533
Ore stockpiled, valued at cost of extraction	—	603,394
Stocks of finished products, at the lower of cost or market	—	169,236
Mining and milling supplies, valued at average cost	1,448,187	1,288,930
Prepaid expenses	64,292	95,438
Special refundable tax	69,933	—
	<u>17,982 335</u>	<u>16,327,358</u>
SPECIAL REFUNDABLE TAX	<u>119,264</u>	<u>272 607</u>
DEPOSITS — transmission line and roads	<u>—</u>	<u>440,000</u>
INVESTMENTS — at cost:		
Other mining companies	177,310	126,228
Loans and mortgages	41,615	42,159
	<u>218,925</u>	<u>168,387</u>
FIXED ASSETS:		
Mining properties	730,347	736,131
Land, buildings, plant and equipment less accumulated depreciation of \$9,312,615	7,642,248	8,181,834
	<u>8,372,595</u>	<u>8,917,965</u>
OTHER ASSETS:		
Pre-production expenses	10,822,271	9,371,353
Outside exploration expenditures	880,963	811,434
Organization expenses	28,442	27,462
	<u>11,731,676</u>	<u>10,210,249</u>
	<u>\$38,424,795</u>	<u>\$36,336,566</u>

TOTAL GROUP BALANCE SHEET (unaudited)

As at August 31, 1968

(With comparative figures as at August 31, 1967)

LIABILITIES

	August 31, 1968	August 31, 1967
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 694,500	\$ 795,616
Wages payable	113,350	165,842
Unclaimed dividends	11,413	11,413
Provision for Quebec mining duties and income taxes	1,006,383	336,000
Instalment due December 23, 1968 on 3% mortgage payable, plus accrued interest	7,150	8,134
Non interest bearing notes due within one year	100,000	—
	<u>1,932,796</u>	<u>1,317,005</u>
3% MORTGAGE PAYABLE on Real Estate		
payable in annual instalments to December 23, 1972 less instalment due in 1968	28,600	35,833
NOTES PAYABLE		
non interest bearing notes due within one year after start of production at Nigadoo River Mines Limited	—	100,000
6½% DEBENTURES		
Maturing August 31, 1974 (Chester Mines Limited)	<u>270,000</u>	<u>270,000</u>
SHAREHOLDERS' EQUITIES		
Sullivan Consolidated Mines Limited		
2,858,850 shares — (71.5%) per share \$5.11 (1967 \$4.71)	14,616,075	13,464,525
East Sullivan Mines Limited		
2,587,300 shares — (60.9%) per share \$6.19 (1967 \$5.92)	16,020,667	15,308,431
Sullico Mines Limited		
59,044 shares — (1.3%) per share \$5.71 (1967 \$5.46)	337,336	326,764
Quebec Lithium Corporation		
1,055,600 shares — (41.4%) per share \$2.50 (1967 \$2.42)	2,642,433	2,558,406
Hastings Mining & Development Co. Ltd		
1,704,596 shares — (34.1%) per share \$0.80 (1967 \$1.19)	1,357,445	1,852,665
Nigadoo River Mines Limited		
630,755 shares — (21.0%) per share \$0.68 (1967 \$0.67)	427,916	425,046
Courvan Mining Company Limited		
1,756,235 shares — (43.9%) per share \$0.24 (1967 \$0.24)	415,157	415,157
Federal Metals Corporation		
796,195 shares — (29.3%) per share \$0.29 (1967 \$0.29)	232,369	232,734
Chester Mines Limited		
675,000 shares — (38.9%) per share \$0.10 (1967 \$0.04)	67,500	30,000
Brompton Mines Ltd		
135,000 shares — (18.0%) per share \$0.15	20,250	—
Weedon Mines Ltd		
375,000 shares — (12.5%) per share \$0.15	56,251	—
	<u>36,193,399</u>	<u>34,613,728</u>
	<u>\$38,424,795</u>	<u>\$36,336,566</u>

NOTE 1 — The above balance sheet (unaudited) consolidating the total assets (after elimination of certain mining properties — see page 77, note 3) and the liabilities of 9 companies of the Sullivan Mining Group, represents fairly the shareholders' equity that would have been arrived at, had this balance sheet been consolidated and certified upon by our auditors.

NOTE 2 — The number of shares, with percentages shown under each company's name, does not represent the total shares issued by each company but represents the shares held by the public, deduction made of inter-companies' holdings.

NOTE 3 — The value shown under each company's name represents the interests held by the public in the net assets at cost. No market value has been used for the shares in this compilation.

THE SULLIVAN MINING GROUP

TOTAL STATEMENT OF OPERATIONS

For the year ended August 31, 1968

(With comparative figures as at August 31, 1967)

	August 31, 1968	August 31, 1967
PRODUCTION	\$20,845,307	\$12,633,486
LESS: Cost of realization, brokerage and freight	6,412,337	2,815,218
	<u>14,432,970</u>	<u>9,818,268</u>
DEDUCT:		
Development and exploration expenses	45,138	13,479
Mining expense	3,519,739	2,973,835
Milling expense	1,363,479	856,367
General mine overhead	708,884	692,055
Idle plant expenses	41,680	330,679
Marketing and technical research	—	26,944
General administration expenses	444,699	385,158
Depreciation of buildings, plant and equipment	996,343	837,651
Amortization of pre-production expenditures	<u>1,337,901</u>	<u>399,833</u>
	8,457,863	6,516,001
LESS:		
Estimated cost aid and recoverable under the Emergency Gold Mining Assistance Act	<u>115,385</u>	<u>310,140</u>
	<u>8,342,478</u>	<u>6,205,861</u>
OPERATING PROFIT	<u>6,090,492</u>	<u>3,612,407</u>
Loss on sales of mining and milling supplies	41,389	64,704
Devaluation of mining and milling supplies	(44,787)	236,164
Expenses of closing the mine	258,629	241,610
Outside exploration expenses written off	<u>282,830</u>	<u>280,966</u>
	538,061	823,444
	<u>5,552,431</u>	<u>2,788,963</u>
OTHER INCOME:		
Net Profit on disposals of fixed assets	29,370	581,846
Sales of recovered supplies	135,231	138,249
Dividends	48,503	46,377
Interest	605,682	568,552
Profit on sales of investments	<u>540,202</u>	<u>5,899</u>
	<u>1,358,988</u>	<u>1,340,923</u>
PROFIT BEFORE MINING DUTIES AND INCOME TAXES	6,911,419	4,129,886
PROVISION FOR MINING DUTIES AND INCOME TAXES — NET	<u>1,424,363</u>	<u>92,346</u>
TOTAL NET PROFIT	<u>\$ 5,487,056</u>	<u>\$ 4,037,540</u>

SULLIVAN CONSOLIDATED MINES LIMITED

BOARD OF DIRECTORS

Jean Beauchemin
Chairman of the Board

J. Jacques Beauchemin, Q.C.
President

André Beauchemin, Eng.
Executive Vice-President

Lucien C. Béliveau, Eng.
General Manager

P. Ernest Beauchemin, Q.C.
J. Ernest Laforce

André Latreille, Eng.

OTHER OFFICERS

Réal J. Lafleur
Secretary-Treasurer

Fernand Cordeau, C.A.
Assistant Secretary-Treasurer

Maurice Scott, Eng.
Exploration Manager

AUDITORS

Maheu, Noël, Anderson,
Valiquette & associés
Montreal, Que.

BANK

National Canadian Bank

TRANSFER AGENTS

Guaranty Trust Company of Canada
Montreal and Toronto

Bankers Trust Company
New York, U.S.A.

LISTED

Canadian Stock Exchange
Toronto Stock Exchange

HEAD OFFICE

Suite 1400, 507 Place d'Armes
Montreal, Que.

ANNUAL MEETING

December 20, 1968 at 11.00 a.m.
Bonaventure Hotel, Montreal, Que.

November 22, 1968

SULLIVAN CONSOLIDATED MINES LIMITED

Your directors are pleased to submit the 36th annual report of your company covering the fiscal period ended August 31, 1968.

FINANCIAL AND CORPORATE HIGHLIGHTS

The fiscal year 1967-68 was the tenth consecutive year during which the net profit of your company increased substantially. After payment of dividends, \$1,424,981. was carried to retained surplus, thus further advancing your company's financial position.

The following tabulation compares the last ten fiscal periods, on a per-share basis:

Fiscal Period	1967-8	1966-7	1965-6	1964-5	1963-4	1962-3	1961-2	8 months 1961	1960	1959
Net Profit	\$0.68	0.60	0.49	0.30	0.16	0.06	0.06	0.10	0.03	0.01
Shareholders holding at end of period*	\$5.21	4.24	3.98	4.93	3.66	2.57	2.30	3.11	1.93	2.09
Dividends paid	\$0.32	0.32	0.30	0.25	0.12	—	—	—	—	—

*After writing-off from the books \$4,084,273 for the mining property located in Dubuissou Township, P.Q. Mining operations ceased at this gold property in December 1967.

A recent special general meeting of shareholders approved, by a wide majority, an agreement to buy all assets and liabilities of Hastings Mining and Development Co. Ltd. At the same time, shareholders approved an increase in authorized capital, from four million to five million shares, change in the common shares from shares of \$1 par value to shares of no par value and change of the name of the company to Sullivan Mines Ltd. Hastings Mining and Development Co. Ltd. has bought 800,000 treasury shares of Sullivan Mines Ltd. at \$5. per share.

DIVIDENDS

Dividends paid during the year amounted to \$1,280,000, a total of \$0.32 per share. Payments are now made quarterly. Since 1937, a total amount of \$14,840,000, or \$3.71 per share, has been distributed as dividends.

CURRENT EXPANSION

Loans and advances from your company to affiliates have been increased from \$3,175,055 at the 1967 fiscal year end to \$3,920,519. at August 31, 1968, a net increase of \$745,464.

Three affiliates were under development during the period: "Nigadoo", "D'Estrie" and "Weedon". At Nigadoo (see page 65), the mill started its tuning-up period on November 1, 1967. At D'Estrie (see page 52), sinking of the internal shaft and driving crosscuts to the ore zone were the major items executed. At Weedon, (see page 59), the dewatering of the old mine and other preparatory work to allow deepening of the inclined shaft was completed on October 24, 1968. Since then, deepening of the Weedon shaft from the 1379-foot vertical horizon is proceeding.

EXPLORATION

We draw your attention to the report of the company's Manager of Exploration (see page 72). The amount spent by "Sullico Exploration" during the period totalled \$810,251 compared to \$791,936 the preceeding year. We expect to invest still more for that purpose in succeeding years. The future participation between Sullivan and East Sullivan (Sullico) in new exploration projects will be shared equally. In the past, Sullivan participated with only one-third interest.

OUTLOOK

The favourable results accruing at your affiliate D'Estrie, at your new affiliate Weedon and at Cupra, lead us to believe that the excellent average growth rate achieved by your company since its inception is not likely to be reduced. Notwithstanding the nearing exhaustion of the Solbec Mine, it is planned that the rate of milling of ore from the Eastern Townships properties can be soon increased through the simultaneous mining operations of Cupra and D'Estrie and potentially Weedon. Regarding your company's investment in Nigadoo River Mines Limited, operations are such to assure Sullivan Consolidated Mines Limited of reimbursement of its capital, plus a fair interest yield. The advances and loans made to Nigadoo have been converted into income debentures as of September 1, 1968. It is still hoped that some profits can accrue for the common shares of Nigadoo River Mines Limited held by your company.

NET EFFECTIVE INTEREST

Here is a table showing the net effective interest now held by your company, in its main affiliates (the net effective interest is necessarily greater than the percentage of direct interest in each affiliate, due to the interlocking of the companies of the Group).

43.7% in East Sullivan Mines Limited	56.5% in Quebec Lithium Corporation
75.0% in Cupra Mines Ltd.	67.2% in D'Estrie Mining Company Ltd..
58.8% in Weedon Mines Ltd.	37.4% in Courvan Mining Company Limited
53.1% in Nigadoo River Mines Limited	47.6% in Federal Metals Corporation
50.4% in Chester Mines Limited	

The net effective interest indicated above reflects more adequately the financial contribution of the operations of affiliates to the net earnings forecasted for your company. For further information, the annual reports of the company's affiliates are included in this booklet.

GENERAL

On April 28, 1968, shareholders learned with regret of the death of Dr. Pierre Beauchemin, President and director of the companies of the Sullivan Mining Group. The loss of the founder of the Canadian mining organization was felt with great sorrow by those who knew him. He fulfilled his duties with ability and wisdom and unselfishly gave of himself for the success of his companies. To his memory, the directors testify to the esteem and appreciation of those who shared his goal and contributed to his success by their efforts, their investments and their faith.

The general annual meeting will be held in Montreal, at the Bonaventure Hotel, on December 20, 1968. Shareholders are cordially invited to attend.

Your directors wish to express their appreciation to all employees of the company, staff and officers, for their loyal services.

For the Board of Directors,

J. JACQUES BEAUCHEMIN
President

SULLIVAN CONSOLIDATED MINES LIMITED

(Incorporated under the Quebec Companies' Act)

ASSETS

	August 31, 1968	August 31, 1967
CURRENT ASSETS:		
Cash on hand and in bank	\$ 38,481	\$ 94,232
Time deposits and accrued interest	1,060,830	131,508
Marketable securities: Bonds at market value — Annex I	149,525	148,125
Gold bullion at net realizable value	—	119,501
Receivable under Emergency Gold Mining Assistance Act — Estimated	29,739	148,076
Accounts receivable		
Current	24,668	68,027
Others	17,711	—
Accrued interest	7,984	4,026
Mining, milling and refinery supplies reduced to possible amount of realization	41,520	55,017
Prepaid expenses	4,176	4,938
Special refundable tax	7,160	—
	<u>1,381,794</u>	<u>773,450</u>
INVESTMENT IN AFFILIATED COMPANIES — Annex I:		
Listed shares at market value	13,518,334	11,381,704
Shares valued as per shareholders' equity shown on audited balance sheet as at August 31 —		
Cupra Mines Limited	905,360	682,411
Other shares and debentures at cost	757,872	526,637
Loans and advances	3,920,519	3,175,055
	<u>19,102,085</u>	<u>15,765,807</u>
MORTGAGES RECEIVABLE AND OTHER SECURITIES	<u>47,308</u>	<u>47,942</u>
FIXED ASSETS: Notes 2 and 3		
Mining properties at cost	—	4,084,273
Mine buildings, plant and equipment at cost reduced by proceeds of sales (1967 cost) —		
Less accumulated depreciation of 1968 and 1967 — \$2,090,111	88,410	259,938
Office equipment at cost — Less accumulated depreciation of 1968 — \$17,648 and		
1967 — \$18,306	17,888	14,692
	<u>106,298</u>	<u>274,630</u>
	<u>106,298</u>	<u>4,358,903</u>
OUTSIDE EXPLORATION EXPENDITURES, less amount written off	<u>237,978</u>	<u>220,584</u>
	<u>\$20,875,463</u>	<u>\$21,166,686</u>

Approved on behalf of the Board of Directors

JEAN BEAUCHEMIN
ANDRÉ BEAUCHEMIN

AUDITORS' REPORT TO THE SHAREHOLDERS

BALANCE SHEET

as at August 31, 1968

(With comparative figures as at August 31, 1967)

LIABILITIES

	August 31, 1968	August 31, 1967
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 23,609	\$ 69,318
Wages payable	3,586	44,904
Unclaimed dividends.	11,413	11,413
	<u>38,608</u>	<u>125,635</u>
CAPITAL STOCK:		
Authorized, issued and fully paid — 4,000,000 common shares of \$1.00 par value	4,000,000	4,000,000
CONTRIBUTED SURPLUS: Proceeds from sales of donated shares as per statement "3"	—	361,384
RETAINED EARNINGS, as per statement "3"	<u>4,263,219</u>	<u>6,561,127</u>
	8,263,219	10,922,511
UNREALIZED APPRECIATION ON INVESTMENTS	<u>12,573,636</u>	<u>10,118,540</u>
SHAREHOLDERS' EQUITY	20,836,855	21,041,051
	<u>\$20,875,463</u>	<u>\$21,166,686</u>

We have examined the balance sheet of Sullivan Consolidated Mines Limited as at August 31, 1968 and the statements of earnings and retained earnings for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the company, the above balance sheet and statements of earnings, retained earnings and source and application of funds when read with the notes thereto present fairly the financial position of the Company as at August 31, 1968 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except as mentioned in note 2 of the notes to financial statements.

Montreal, October 18, 1968

MAHEU, NOËL, ANDERSON, VALIQUETTE & ASSOCIÉS
Chartered Accountants

NOTES TO FINANCIAL STATEMENTS

Note 1

Under date of August 30, 1968, the directors of the Company have adopted by-laws and resolutions to give effect to the following:

- A) Conversion of the 4,000,000 common shares of \$1.00 par value of the Company into 4,000,000 shares of no par value.
- B) Increase in the authorized capital of the Company by the creation of 1,000,000 additional no par value shares ranking equally with the new 4,000,000 no par value shares.
- C) Change in the name of the Company to Sullivan Mines Ltd. — Les Mines Sullivan Ltée.
- D) Offer by the Company to purchase the net assets of Hastings Mining and Development Co. Ltd. (excluding cash) as of September 1, 1968, after the acquisition by Hastings of the net assets of Solbec Copper Mines Ltd., a fully owned subsidiary of Hastings. The consideration to be paid by Sullivan Consolidated Mines Limited for the net assets will be the sum of \$3,854,506.00 representing total assets (excluding cash) less total liabilities of Hastings as at August 31, 1968. Sullivan will also undertake to indemnify Hastings and Solbec and their directors against all claims, adjustments or additional liabilities which could affect the global amount payable for the net assets of the above-mentioned companies.
- E) Hastings Mining and Development Co. Ltd. has agreed to purchase 800,000 new no par value shares of Sullivan at \$5.00 a share or the total sum of \$4,000,000.00 payable on or before November 30, 1968.

All of the above transactions are subject to obtaining the required supplementary letters patent and the approval and ratification by the shareholders of the companies concerned as well as the approval where relevant of the appropriate Security Commissions and Stock Exchanges.

Note 2

No provision for depreciation on mine buildings, plant and equipment has been made in the accounts for the current period.

The proceeds from sales, during the year, of mine buildings, plant and equipment amounting to \$171,528.00 have been credited against the cost of fixed assets and it is the intention of management to continue this procedure in recording sales of this kind, until such time as the proceeds exceed the cost, the excess then being credited to earnings. Management has estimated the realizable value of the remaining fixed assets at the mine at \$273,610.00 and it is believed that final realization will exceed the net value of \$88,410.00 shown on the balance sheet.

The balance of leasehold improvements of \$11,254.00 has been written off against earnings of the current period whereas in prior periods they were amortized at the rate of 20% per annum.

Note 3

The figures shown for fixed assets as at August 31, 1967 have been reclassified to make them comparative with those as at August 31, 1968.

Note 4

Contingent liabilities:

The Company is contesting an assessment for additional tax on capital amounting to \$49,290.00 for which no provision has been made in the accounts.

Legal proceedings against Sullico Mines Limited concerning the issue and allotment of 4/5 of 340,000 shares in escrow of Sullipek Mines Inc. (non affiliated company) in favor of Sullico Mines Limited et al, in which shares Sullivan Consolidated Mines Limited has an interest of 20% and, in case of default in the delivery of such shares, payment of the sum of \$1,000,000.00 in damages by Sullico Mines Limited: in the opinion of the legal adviser of the Company, these proceedings are ill-founded in fact and in law.

SULLIVAN CONSOLIDATED MINES LIMITED

STATEMENT OF EARNINGS

for the year ended August 31, 1968

(with comparative figures as at August 31, 1967)

	August 31, 1968	August 31, 1967
Gold bullion production	\$ 531,881	\$ 1,396,146
LESS: Mint and handling charges	4,975	10,411
	<u>526,906</u>	<u>1,385,735</u>
DEDUCT:		
Mining expense	222,636	910,855
Milling expense	114,029	341,212
General mine overhead	119,347	80,825
Depreciation	15,726	30,404
General administration expenses	96,976	83,737
	<u>568,714</u>	<u>1,447,033</u>
DEDUCT: Estimated cost aid recoverable under the Emergency Gold Mining Assistance Act	115,385	310,140
	<u>453,329</u>	<u>1,136,893</u>
OPERATING PROFIT	<u>73,577</u>	<u>248,842</u>
Outside exploration expenditures written off	94,277	88,814
Recuperation and closing down expenses	182,031	—
Loss on sales of mining and milling supplies	15,981	—
Devaluation of supplies to possible realization value	(49,314)	68,123
Separation pay	76,598	—
Loss on sale of office equipment	180	—
	<u>319,753</u>	<u>156,937</u>
	<u>(246,176)</u>	<u>91,905</u>
Net profit on sales of machinery and equipment	—	6,008
Sale of recuperated material and scrap	93,152	—
	<u>93,152</u>	<u>6,008</u>
	<u>(153,024)</u>	<u>97,913</u>
OTHER INCOME:		
Dividends	2,232,837	2,252,526
Interest	102,318	65,924
Profit on sale of shares of affiliated company	522,850	—
	<u>2,858,005</u>	<u>2,318,450</u>
NET EARNINGS FOR THE YEAR carried to Retained Earnings	<u>\$ 2,704,981</u>	<u>\$ 2,416,363</u>

NOTE 5 — The mining operations ceased on December 5, 1967.

SULLIVAN CONSOLIDATED MINES LIMITED

"3"

STATEMENT OF RETAINED EARNINGS

as at August 31, 1968

(with comparative figures as at August 31, 1967)

	August 31, 1968	August 31, 1967
Balance at beginning of year	\$ 6,561,127	\$ 5,424,764
ADD:		
Net earnings for the year ended August 31	2,704,981	2,416,363
	<u>9,266,108</u>	<u>7,841,127</u>
DEDUCT:		
Dividends paid	1,280,000	1,280,000
	<u>7,986,108</u>	<u>6,561,127</u>
DEDUCT:		
Write off of balance of mining claims at cost	3,722,889	—
BALANCE AS AT AUGUST 31, as per Balance Sheet	<u>\$ 4,263,219</u>	<u>\$ 6,561,127</u>

CONTRIBUTED SURPLUS

as at August 31, 1968

(with comparative figures as at August 31, 1967)

Balance at beginning of year	\$ 361,384	\$ 361,384
DEDUCT:		
Write off of part of mining claims at cost	361,384	—
BALANCE AS AT AUGUST 31, as per Balance Sheet	<u>\$ —</u>	<u>\$ 361,384</u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the year ended August 31, 1968

(with comparative figures as at August 31, 1967)

	August 31, 1968	August 31, 1967
WORKING CAPITAL AT BEGINNING OF YEAR	\$ 647,815	\$ 1,139,694
SOURCE OF FUNDS:		
Net profit for the year	2,704,981	2,416,363
Depreciation	15,726	30,404
Increase in value of marketable bonds	1,400	2,050
Instalments paid on mortgage	634	506
Sale of buildings, machinery and equipment	171,807	3,439
Sale of shares in affiliated company	94,116	—
	<u>2,988,664</u>	<u>2,452,762</u>
APPLICATION OF FUNDS:		
Dividends paid to shareholders	1,280,000	1,280,000
Acquisition of investments in affiliated companies	231,235	126,419
Purchases of other mining shares	—	11,448
Additional advances to affiliated companies	745,464	1,516,500
Outside exploration expenditures	17,394	8,393
Purchases of equipment	19,200	1,881
	<u>2,293,293</u>	<u>2,944,641</u>
Increase in working capital	695,371	(491,879)
WORKING CAPITAL AT END OF YEAR	<u>\$ 1,343,186</u>	<u>\$ 647,815</u>

SCHEDULE OF INVESTMENTS

as at August 31, 1968

MARKETABLE SECURITIES:

Bonds			<u>\$ 151,500</u>	<u>\$ 149,525</u>
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	Shares held	Market Prices		
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SHARES IN AFFILIATED COMPANIES:

Quebec Lithium Corp.	1,102,050	\$3.65	\$ 625,906	\$ 4,022,482
East Sullivan Mines Limited	1,561,850	6.00	946,601	9,371,100
Courvan Mining Co. Ltd.	733,833	0.17	193,076	124,752
			<u>\$ 1,765,583</u>	<u>\$13,518,334</u>

Cupra Mines Ltd.

Valuation as per shareholders' equity shown on the audited balance sheet as at August 31, 1968 — cost in 1965

900,000

	Valuation
\$ 82,500	<u>\$ 905,360</u>

OTHER SHARES AT COST:

Federal Metals Corp.	641,885*	\$ 309,202
Eastern Explorers Corp.	183,339*	7,846
Nigadoo River Mines Ltd.	789,748	87,094
Peninsula Metals Corp.	100,007*	9,945
D'Estrie Mining Co. Ltd.	596,852	59,685
Chester Mines Ltd.	264,750*	17,100
Brompton Mines Ltd.	205,000*	600
Weedon Mines Ltd.	857,000*	112,500
		<u>603,972</u>

DEBENTURES:

Chester Mines Ltd., 6½%, August 31, 1974, interest payable from 1969 of which \$84,500 not issued, pending authorization by the Province of New Brunswick . . .

\$163,500

153,900
<u>\$ 757,872</u>

LOANS AND ADVANCES:

Nigadoo River Mines Ltd.	\$ 2,855,500
Cupra Mines Ltd.	460,000
D'Estrie Mining Co. Ltd.	555,500
Chester Mines Ltd.	4,000
Weedon Mines Ltd.	9,000
Sullico Mines Limited	31,634
Sundries	4,885
	<u>\$ 3,920,519</u>

OTHER MINING SHARES*	<u>\$ 16,448</u>
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*Inclusive of the following pooled shares:

Eastern Explorers Corp.	183,333
Federal Metals Corp.	67,935
Peninsula Metals Corp.	100,000
Chester Mines Ltd.	93,750
Sullico Mines Ltd.	55,000
Weedon Mines Ltd.	125,000
Brompton Mines Ltd.	205,000

SULLIVAN MINES LTD. — LES MINES SULLIVAN LTÉE

(Incorporated under the Quebec Companies Act)

ASSETS

CURRENT ASSETS:

Cash on hand, in bank and demand deposit		\$ 183,975	
Time deposits and accrued interest		1,060,830	
Marketable securities at market value:			
Bonds	\$ 1,643,746		
Shares	9,200	1,652,946	
Receivable under Emergency Gold Mining Assistance Act — Estimated		29,739	
Accounts receivable:			
Current	170,145		
Others	17,711	187,856	
Accrued interest		23,430	
Concentrates valued at estimated net return under firm sales contracts, less advances thereon		1,519,694	
Mining, milling and refinery supplies:			
Valued at average cost	732,172		
Valued at possible amount of realization	41,520	773,692	
Prepaid expenses		10,534	
Special refundable tax		22,247	\$ 5,464,943

INVESTMENT IN AFFILIATED COMPANIES:

Listed shares at market value		13,518,334	
Shares valued as per shareholders' equity shown on audited balance sheet as at August 31, 1968 — Cupra Mines Ltd.		1,207,147	
Other shares and debentures at cost		928,872	
Loans and advances		3,924,519	19,578,872
MORTGAGES RECEIVABLE AND OTHER SECURITIES			52,448

FIXED ASSETS:

Mining properties at cost		96,136	
Buildings, plant and equipment at cost acquired from Hastings Mining and Development Co. Ltd.	404,130		
Buildings, plant and equipment at cost reduced by proceeds of sales, less accumulated depreciation of \$2,090,111	88,410		
Office equipment at cost, less accumulated depreciation of \$17,648	17,888	510,428	606,564

OUTSIDE EXPLORATION EXPENDITURES, less amounts written off			238,093
			<u>\$25,940,920</u>

The accompanying notes form an integral part of

Approved on behalf of the board of directors

Jean Beauchemin
André Beauchemin

AUDITORS' REPORT TO THE DIRECTORS

PRO FORMA BALANCE SHEET

As at September 1, 1968

(after giving effect to the transactions recited in the accompanying notes)

LIABILITIES

CURRENT LIABILITIES:

Accounts payable and accrued expenses	\$ 438,388	
Wages payable	27,190	
Provision for income taxes and Quebec mining profits tax, less instalments thereon	627,074	
Unclaimed dividends	<u>11,413</u>	\$ 1,104,065

CAPITAL STOCK:

Authorized — 5,000,000 shares without par value	
Issued and fully paid — 4,800,000 shares	8,000,000

RETAINED EARNINGS \$ 4,263,219

UNREALIZED APPRECIATION ON INVESTMENTS 12,573,636 16,836,855

SHAREHOLDER'S EQUITY 24,836,855

\$25,940,920

this statement.

We have examined the pro forma balance sheet of Sullivan Mines Ltd. — Les Mines Sullivan Ltée as at September 1, 1968 and have obtained all the information and explanations we have required. Our examination of the financial statements of Sullivan Consolidated Mines Limited, of which company we are the auditors, included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

We have relied on the reports of the auditors who have examined the financial statements of Hastings Mining and Development Co. Ltd. and Solbec Copper Mines Ltd. as at August 31, 1968.

In our opinion, the pro forma balance sheet of Sullivan Mines Ltd. — Les Mines Sullivan Ltée, when read in conjunction with the notes thereto, presents fairly the financial position of the company as at September 1, 1968 after giving effect to the transactions set forth in Note 1 to the balance sheet.

Respectfully submitted,

MAHEU, NOËL, ANDERSON, VALIQUETTE & ASSOCIÉS
Chartered Accountants

October 25, 1968.

SULLIVAN MINES LTD. — LES MINES SULLIVAN LTÉE

NOTES TO PRO FORMA BALANCE SHEET

as at September 1, 1968

Note 1

The pro forma balance sheet gives effect to:

- a) Conversion of the 4,000,000 common shares of \$1 par value of Sullivan Consolidated Mines Limited into 4,000,000 shares without par value.
- b) Increase in the authorized capital of Sullivan Consolidated Mines Limited by the creation of 1,000,000 additional shares without par value ranking equally with the new 4,000,000 shares without par value.
- c) Change in the name of the Company from Sullivan Consolidated Mines Limited to Sullivan Mines Ltd. — Les Mines Sullivan Ltée.
- d) The purchase by Sullivan Consolidated Mines Limited of the net assets of Hastings Mining and Development Co. Ltd. (excluding cash) as of September 1, 1968, after the acquisition by Hastings of the net assets of Solbec Copper Mines Ltd., a fully owned subsidiary of Hastings.
The payment by Sullivan Consolidated Mines Limited of \$3,854,506 for the net assets representing total assets (excluding cash) less total liabilities of Hastings as at August 31, 1968. Sullivan will also undertake to indemnify Hastings and Solbec and their directors against all claims, adjustments or additional liabilities which could affect the global amount payable for the net assets of the above-mentioned companies.
- e) The purchase by Hastings Mining and Development Co. Ltd. of 800,000 new shares without par value of Sullivan Consolidated Mines Limited at \$5 a share for the total sum of \$4,000,000 payable on or before November 30, 1968.

All the above transactions are subject to obtaining the required supplementary letters patent and the approval and ratification by the shareholders of the companies concerned as well as the approval where relevant of the appropriate Security Commissions and Stock Exchanges.

Note 2

Contingent liabilities:

Sullivan Consolidated Mines Limited is contesting assessments for additional tax on capital totaling \$56,122 for which no provision has been made in the balance sheet.

EAST SULLIVAN MINES LIMITED

(No Personal Liability)

BOARD OF DIRECTORS

Jean Beauchemin
Chairman of the Board

J. Jacques Beauchemin, Q.C.
President

André Beauchemin, Eng.
Executive Vice-President

Lucien C. Béliveau, Eng.
General Manager

P. Ernest Beauchemin, Q.C.

Claude Beauchemin, Attorney
Brigadier-General J. Guy Gauvreau

OTHER OFFICERS

Réal J. Lafleur
Secretary-Treasurer

Fernand Cordeau, C.A.
Assistant Secretary-Treasurer

Maurice Scott, Eng.
Exploration Manager

AUDITORS

Maheu, Noël, Anderson,
Valiquette & associés
Montreal, Que.

BANK

National Canadian Bank

TRANSFER AGENTS

Guaranty Trust Company of Canada
Montreal and Toronto

Bankers Trust Company
New York, U.S.A.

LISTED

Canadian Stock Exchange
Toronto Stock Exchange

HEAD OFFICE

Suite 1400, 507 Place d'Armes
Montreal, Que.

ANNUAL MEETING

December 20, 1968 at 10.00 a.m.
Bonaventure Hotel, Montreal, Que.

November 22, 1968

EAST SULLIVAN MINES LIMITED

It is with pleasure that your Board of Directors submits the 24th annual report of your company for the fiscal period ended August 31, 1968.

FINANCIAL HIGHLIGHTS

Your company earned a net profit of \$3,504,085, compared to \$3,709,099 in the preceding period. After payment of dividends, \$954,085 was carried to retained surplus, thus further advancing your company's financial position.

Profits for the latest fiscal year, as will be the case in future years, resulted essentially from dividends paid by affiliates. The directors believe that revenue from that source will increase further, notwithstanding the absence of dividends previously received from Hastings Mining and Development Co. Ltd. by your company.

Your company owns more shares in Sullivan Mines Ltd. and should receive more dividends from that source for many years to come. It should be pointed out that provided Hastings has distributed its assets, a special net receipt of \$1,244,533 will accrue to your company, in addition to earnings from other sources, as a net profit from its investments.

Your interest is drawn to the following tabulation covering the last ten fiscal periods, on a per-share basis:

Fiscal Period	1967-8	1966-7*	1965-6	1964-5	1963-4	1962-3	1961-2	8 months 1961	1960	1959
Net Profit	\$0.82	0.87	1.14	0.52	0.33	0.22	0.33	0.33	0.15	0.11
Shareholders holding at end of period	\$5.92	5.57	5.87	5.69	5.30	3.77	3.77	3.88	3.19	3.09
Dividends paid	\$0.60	0.60	0.50	0.45	0.29	0.15	0.10	0.10	—	—

*Mining operations ceased on November 29, 1966 at the old East Sullivan Mine.

DIVIDENDS

Dividends paid during the year amounted to \$2,550,000, or \$0.60 per share. Payments are made quarterly. Since its inception, a total amount of \$30,499,250 has been distributed as dividends, that is \$7.18 per share.

CURRENT EXPANSION

Loans and advances from your company to affiliates have been increased from \$6,740,110 at the 1967 fiscal year end to \$7,890,770 at August 31, 1968, showing a net increase of \$1,150,660.

Three affiliates were under development during the period: "Nigadoo", "d'Estrie" and "Weedon". At Nigadoo (see page 65), the mill started its tuning-up period on November 1, 1968. At d'Estrie (see page 52), sinking of the internal shaft and driving crosscuts to the ore zone were the major items executed. At Weedon (see page 59), the dewatering of the old mine and other preparatory work to allow deepening of the inclined shaft was completed on October 24, 1968. Since then, deepening of the Weedon shaft from the 1,379 foot vertical horizon is proceeding.

EXPLORATION

Your attention is drawn to the report of the company's Manager of Exploration (see page 72). The amount spent by "Sullico Exploration" during the period totalled \$810,251, compared to \$791,936 the preceding year. The company expects to invest more money for that purpose in the succeeding years. The future participation between Sullivan and East Sullivan (Sullico) in new exploration projects will be shared equally. In the past, Sullivan participated to the extent of one-third interest.

OUTLOOK

The favourable results accruing at your affiliate d'Estrie, at your new affiliate Weedon and at Cupra lead us to believe that the excellent average growth rate achieved by your company since its inception is not likely to be reduced. Notwithstanding the near exhaustion of the "Solbec Mine", it is planned that the rate of milling of ores from the Eastern Townships properties can soon be increased through the simultaneous mining operations of Cupra, d'Estrie and potentially Weedon.

Regarding your company's investment in Nigadoo River Mines Limited, operations are such as to assure East Sullivan of reimbursement of its capital plus a fair interest yield. The advances and loans made to Nigadoo have been converted into income debentures as of September 1, 1968. It is still hoped that some profits can accrue for the common shares of Nigadoo River Mines Limited held by your company.

NET EFFECTIVE INTEREST

Here is a table showing the Net Effective Interest held by your company, as of September 1, 1968, in its main affiliates (the net effective interest is necessarily greater than the percentage of direct interest in each affiliate, due to the interlocking of the companies of the Group).

37.1 % in Sullivan Mines Ltd.	33.4 % in Quebec Lithium Corporation
82.6 % in Cupra Mines Ltd.	87.6 % in D'Estrie Mining Company Ltd.
76.7 % in Weedon Mines Ltd.	49.4 % in Courvan Mining Co. Ltd.
69.2 % in Nigadoo River Mines Limited	62.0 % in Federal Metals Corporation
33.7 % in Chester Mines Limited	

The net effective interest indicated above reflects more adequately the financial contribution of the operations of affiliates to the net earnings forecasted for your company. Please refer to the annual reports of the company's affiliates in this folio for further information.

GENERAL

Many shareholders learned with regret of the death, on April 28, 1968, of Dr. Pierre Beauchemin, President and Director of the companies of the Sullivan Mining Group. The loss of the founder of this Canadian mining organization was felt with great sorrow by those who knew him. He fulfilled his duties with ability and wisdom and unselfishly gave of himself for the success of his companies. To his memory, the directors testify to the esteem and appreciation of those who shared his goal and contributed to his success by their efforts, their investments and their faith.

The general annual meeting of shareholders will be held in Montreal, at the Bonaventure Hotel, on Friday, December 20, 1968. You are cordially invited to attend.

Your management wishes to express its appreciation to all employees of the company, staff and officers, for their loyal services.

For the Board of Directors,

J. JACQUES BEAUCHEMIN
President

EAST SULLIVAN MINES LIMITED

and its subsidiary

SULLICO MINES LIMITED

(No Personal Liability)

(Incorporated under the Quebec Mining Companies Act)

ASSETS

	August 31, 1968	August 31, 1967
CURRENT ASSETS:		
Cash on hand and in bank	\$ 47,924	\$ 39,266
Time deposits	1,855,534	2,360,936
Accounts receivable:		
Trade	\$72,724	
Others	2,175	
Marketable securities at market value — Annex I:		
Bonds	1,973,971	2,269,982
Banks, public utilities and industrial shares	867,498	907,545
Income taxes to be recovered	12,750	23,918
Dividends receivable and accrued interest	25,357	20,906
Mining and milling supplies:		
At average cost	36,392	27,715
At possible realization value	44,720	66,247
Prepaid expenses	7,141	8,527
Special refundable tax	16,471	—
	<u>4,962,657</u>	<u>6,006,651</u>
SPECIAL REFUNDABLE TAX.	—	18,380
INVESTMENTS IN AFFILIATED COMPANIES — Annex I:		
Listed shares at market value	8,805,827	8,364,297
Cupra Mines Limited — Shares valued as per shareholders' equity on verified balance sheet on August 31	1,810,721	1,364,814
Other shares and debentures at cost	1,341,722	963,736
Loans and advances	7,890,770	6,740,110
	<u>19,849,040</u>	<u>17,432,957</u>
OTHER SHARES at cost	<u>100,241</u>	<u>47,359</u>
FIXED ASSETS — Notes 1 and 2:		
Mining claims	201	201
Buildings, plant and equipment at mine at cost, reduced by the proceeds from sales (1967 — cost), less accumulated depreciation (1968 and 1967 — \$192,540)	46,375	86,400
Other equipment at cost, less accumulated depreciation (1968 — \$42,858) (1967 — \$33,507)	90,895	84,643
	<u>137,471</u>	<u>171,244</u>
OUTSIDE EXPLORATION EXPENDITURES, less amounts written off.	<u>577,173</u>	<u>555,233</u>
	<u>\$25,626,582</u>	<u>\$24,231,824</u>

Approved on behalf of the Board of Directors:

J. JACQUES BEAUCHEMIN

JEAN BEAUCHEMIN

AUDITORS' REPORT TO THE SHAREHOLDERS

CONSOLIDATED BALANCE SHEET

As at August 31, 1968

(With comparative figures as at August 31, 1967)

LIABILITIES

	August 31, 1968	August 31, 1967
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 151,732	\$ 212,003
Wages payable	3,467	19,681
Provision for 1967 Quebec mining profits tax, less instalments paid	11,000	21,000
	<u>166,199</u>	<u>252,684</u>
Minority interests in subsidiary (including its portion of the unrealized appreciation on investments)	320,819	306,000
CAPITAL STOCK:		
Authorized — 4,500,000 shares of \$1.00 par value	<u>\$4,500,000</u>	
Issued and paid — 4,250,000 shares	4,250,000	4,250,000
CONTRIBUTED SURPLUS — Premium on shares issued.	700,503	700,503
RETAINED EARNINGS, as per statement 3.	<u>13,580,665</u>	<u>12,627,269</u>
	18,531,168	17,577,772
UNREALIZED APPRECIATION ON INVESTMENTS	<u>6,608,396</u>	<u>6,095,368</u>
SHAREHOLDERS' EQUITY	<u>25,139,564</u>	<u>23,673,140</u>
	<u>\$25,626,582</u>	<u>\$24,231,824</u>

NOTE 1 — No provision for depreciation on mine buildings, plant and equipment has been made in the accounts for the current period.

The proceeds from sales of mine plant and equipment amounting to \$40,025 have been credited against the cost of fixed assets during the year and it is the intention of management to continue this procedure in recording sales of this kind until such time as the proceeds exceed the cost, the excess then being credited to earnings. Management has estimated the realizable value of the remaining fixed assets at the mine at \$219,550 and it is believed that final realization will exceed the net value of \$46,375 shown on the balance sheet.

NOTE 2 — The figures shown for fixed assets as at August 31, 1967 have been reclassified to make them comparative with those as at August 31, 1968.

NOTE 3 — **Contingent liabilities:** The financial statements do not take into account the following:

- assessments for additional taxes on capital totaling \$46,936 that the Companies are contesting;
- an assessment for additional Quebec mining profits tax amounting to \$38,359 that the subsidiary Company is contesting;
- legal proceedings against Sullico Mines Limited concerning the issue and allotment of $\frac{1}{2}$ of 340,000 shares in escrow of Sullipek Mines Inc. (non affiliated company) in favor of Sullico Mines Limited et al, and in case of default in the delivery of such shares, payment of the sum of \$1,000,000 in damages; in the opinion of the legal adviser of the Company these proceedings are ill-founded in fact and in law.

We have examined the consolidated balance sheet of East Sullivan Mines Limited and its subsidiary, Sullico Mines Limited, as at August 31, 1968 and the consolidated statements of earnings, retained earnings and contributed surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the Companies, the above consolidated balance sheet and consolidated statements of earnings, retained earnings, contributed surplus and source and application of funds, when read with the notes thereto, present fairly the financial position of the Companies as at August 31, 1968 and the consolidated results of their operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year, except as mentioned in note 1 of the notes to financial statements.

MAHEU, NOËL, ANDERSON, VALIQUETTE & ASSOCIÉS
Chartered Accountants

Montreal, October 18, 1968.

EAST SULLIVAN MINES LIMITED

and its subsidiary

SULLICO MINES LIMITED

(No Personal Liability)

CONSOLIDATED STATEMENT OF EARNINGS

"2"

For the year ended August 31, 1968

(With comparative figures as at August 31, 1967)

	August 31, 1968	August 31, 1967
REVENUE FROM METAL RECOVERIES — production	—	\$ 1,258,395
LESS: Cost of realization, brokerage and freight	—	69,892
	<u>—</u>	<u>1,188,503</u>
DEDUCT:		
Mining expenses	—	205,486
Milling expenses	—	106,441
General mine overhead	\$ 37,802	350,523
Depreciation	14,867	20,305
General administration expenses	107,140	123,889
	<u>159,809</u>	<u>806,644</u>
OPERATING PROFIT (Loss)	<u>(159,809)</u>	<u>381,859</u>
Outside exploration expenditures written off	188,553	192,152
Loss on sales of mining and milling supplies	20,413	37,505
Devaluation of mining and milling supplies to a possible amount of realization	(9,226)	28,391
Expenses of recuperation of supplies and closing of the mine	—	241,610
Provision for Quebec mining profits tax	—	39,000
	<u>(199,740)</u>	<u>538,658</u>
	<u>(359,549)</u>	<u>(156,799)</u>
Net profit on sales of buildings and machinery	(4,269)	228,174
Sales of recovered supplies and scrap	30,110	117,209
	<u>25,841</u>	<u>345,383</u>
	<u>(333,708)</u>	<u>188,584</u>
OTHER INCOME:		
Dividends	3,571,579	3,396,627
Interest	297,028	247,826
Profit on bonds matured and sold	16,803	3,310
	<u>3,885,410</u>	<u>3,647,763</u>
PROFIT BEFORE INCOME TAXES	<u>3,551,702</u>	<u>3,836,347</u>
Provision for income taxes	—	76,091
	<u>3,551,702</u>	<u>3,760,256</u>
DEDUCT: Portion pertaining to minority interests	<u>47,617</u>	<u>51,157</u>
CONSOLIDATED NET EARNINGS FOR THE YEAR, carried to Retained Earnings	<u>\$ 3,504,085</u>	<u>\$ 3,709,099</u>

NOTE 4 — Mining operations ceased on November 30, 1966.

CONSOLIDATED RETAINED EARNINGS

	August 31, 1968	August 31, 1967
Balance at the beginning of year	\$12,627,269	\$11,812,404
ADD: Consolidated net earnings for the year	3,504,085	3,709,099
Income tax paid and recoverable for 1967	1,091	—
Prior years' income tax adjustments	(248)	46,490
Net adjustment from acquisition of shares in subsidiary company	(1,532)	3,419
	<u>16,130,665</u>	<u>15,571,412</u>
DEDUCT: Dividends paid	2,550,000	2,550,000
Reduction in fixed assets:		
Mining claims reduced to \$1.00	—	340,147
Additional depreciation on buildings applicable to prior years	—	53,996
	<u>2,550,000</u>	<u>2,944,143</u>
BALANCE AS AT AUGUST 31, carried to Balance Sheet	<u>\$13,580,665</u>	<u>\$12,627,269</u>

"3"

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Working capital at beginning of year	\$ 5,753,967	\$ 6,339,559
SOURCE OF FUNDS:		
Net consolidated earnings for the year	3,504,085	3,709,099
Portion of earnings: Minority interests in subsidiary	47,617	51,157
Depreciation	14,867	20,305
Sale of fixed assets — net	50,497	130,061
Increase (decrease) in value of marketable securities during the year	(24,860)	25,794
Income tax paid and recoverable	1,091	—
Prior years' income tax adjustments	(248)	46,490
Special refundable tax	18,380	3,476
	<u>3,611,429</u>	<u>3,986,382</u>
APPLICATION OF FUNDS:		
Dividends paid to shareholders	2,550,000	2,550,000
Dividends paid to minority interests	35,758	36,211
Purchase of shares: Subsidiary	4,340	4,765
Purchase of shares in affiliated companies	345,000	50,858
Additional advances to affiliated companies	1,150,660	1,673,000
Additions to fixed assets	31,592	42,825
Deferred outside exploration expenditures	21,940	59,480
Purchases of debentures and of mining and other shares	429,648	154,835
	<u>4,568,938</u>	<u>4,571,974</u>
Decrease in working capital	957,509	585,592
WORKING CAPITAL AT END OF YEAR	<u>\$ 4,796,458</u>	<u>\$ 5,753,967</u>

EAST SULLIVAN MINES LIMITED

and its subsidiary

SULLICO MINES LIMITED

(No Personal Liability)

SCHEDULE OF INVESTMENTS

As at August 31, 1968

MARKETABLE SECURITIES:

Bonds

SHARES:

Banks

Public utilities

Industries

Trusts and financial institutions

AFFILIATED COMPANIES:

Hastings Mining and Development Co. Ltd.

Sullivan Consolidated Mines Limited

Quebec Lithium Corporation

Courvan Mining Co. Ltd.

Cupra Mines Ltd.:

Valuation as per shareholders' equity shown on the audited balance sheet as at August 31, 1968 — cost in 1965

OTHER SHARES AT COST:

D'Estrie Mining Co. Ltd.

Nigadoo River Mines Ltd.

Peninsula Metals Corp.

Eastern Explorers Corp.

Federal Metals Corp.

Brompton Mines Ltd.

Chester Mines Ltd.

Weedon Mines Limited

DEBENTURES: Chester Mines Ltd., 6½%, August 31, 1974, interest payable from 1969
of which \$84,500 are unissued pending authorization by the Province of New Brunswick.

SUNDRIES:

Sullipek Mines Inc.

Adelaide Mining Ltd.

Clinton Copper Mines Ltd.

Clinton Copper Mines Ltd., 4%, preferred

Corpex, 7% preferred

LOANS AND ADVANCES:

Cupra Mines Ltd.

D'Estrie Mining Co. Ltd.

Nigadoo River Mines Ltd.

Chester Mines Ltd.

Weedon Mines Limited

Sundries

*All pooled shares

**Including pooled shares: 1-135,870; 2-410,000; 3-93,750; 4-250,000; 5-165,000

Annex I

Cost	Market value
\$ 1,961,090	\$ 1,973,971
\$ 421,988	\$ 551,260
316,415	249,628
28,277	38,012
32,960	28,598
\$ 799,640	\$ 867,498
\$ 750,792	\$ 2,495,404
2,025,121	4,621,657
786,682	1,432,078
271,587	256,688
\$ 3,834,182	\$ 8,805,827
\$ 165,000	Valuation
	\$ 1,810,721
\$ 119,378	No current market value
174,183	
19,771	
12,194	
618,976	
1,207	
17,107	
225,006	
1,187,822	
153,900	
\$ 1,341,722	
\$ 34,343	
1,010	
—	
63,668	
1,220	
\$ 100,241	
\$ 1,035,000	
1,111,000	
5,714,560	
6,000	
18,000	
6,210	
\$ 7,890,770	

QUEBEC LITHIUM CORPORATION

(No Personal Liability)

BOARD OF DIRECTORS

Jean Beauchemin
Chairman of the Board

J. Jacques Beauchemin, Q.C.
President

André Beauchemin, Eng.
Executive Vice-President

Lucien C. Béliveau, Eng.
General Manager

Claude Beauchemin, Attorney

P. Ernest Beauchemin, Attorney

André Latreille, Eng.

OTHER OFFICERS

Réal J. Lafleur
Secretary-Treasurer

Fernand Cordeau, C.A.
Assistant Secretary-Treasurer

Maurice Scott, Eng.
Exploration Manager

AUDITORS

Maheu, Noël, Anderson,
Valiquette & associés
Montreal, Que.

BANK

National Canadian Bank

TRANSFER AGENTS

Guaranty Trust Company of Canada
Montreal and Toronto

Bankers Trust Company
New York, U.S.A.

LISTED

Canadian Stock Exchange
Toronto Stock Exchange
American Stock Exchange

HEAD OFFICE

Suite 1400, 507 Place d'Armes
Montreal, Que.

ANNUAL MEETING

December 19, 1968 at 9.30 a.m.
Bonaventure Hotel, Montreal, Que.

DIRECTORS' REPORT

November 22, 1968

QUEBEC LITHIUM CORPORATION

Your directors are pleased to submit this 14th annual report of your company, along with financial statements for the year ended August 31, 1968.

FINANCIAL SITUATION

During 1966, the operations of your Company were suspended for an indefinite period of time. We then expressed hope that operations could be resumed at a later date, provided that the prospects for the Lithium industry improve to a sufficient extent. Since then, nothing happened that would justify your Directors to revise their policy.

Since 1960, your company has steadily improved its financial situation as a result of its investments in the metal mining industry. With no lithium production, and after substantial provision for depreciation and other stand-by expenses, your company's net profit for the year amounts to \$481,287 compared to \$42,303 in the preceding period.

Working capital reached \$3,459,323 on August 31, 1968, a rise from \$2,658,385 at August 31, 1967. The net shareholders' equity per share amounted to \$2.55 at the end of the fiscal period.

During the next fiscal year your company should realize a non-recurring gain of \$515,810. from its investments in Hastings Mining and Development Co. Ltd. provided that the contemplated distribution of assets by Hastings has taken place. The distribution of Hastings' assets was approved at a special meeting of shareholders on November 21, 1968. As a result of certain transactions between Hastings and Sullivan Consolidated Mines Limited, also ratified on November 21, at special meetings of shareholders of these companies, the new assets of Hastings consist essentially of 800,000 shares of Sullivan Mines Ltd., previously Sullivan Consolidated Mines Limited.

Upon distribution of Hastings' assets, your company would receive 128,000 shares of Sullivan Mines Ltd. For your interest, a pro forma balance sheet of Sullivan Mines Ltd. is provided on page 16 of this booklet.

THE LITHIUM INDUSTRY

A recent study of the current situation of the world-wide lithium industry leads your management to believe that available production capacity and actual production and consumption are now in balance. Expressed in lithium carbonate equivalent, the rate of growth of consumption for lithium products now exceeds 10% and this can be regarded as promising.

Despite some price increases for certain lithium products in recent years, the general profitability of world lithium operations cannot yet be considered attractive. Your management continues to study market developments.

The annual meeting of the shareholders will be held in Montreal, Canada, at the Hotel Bonaventure, on December 19, 1968. The shareholders are cordially invited to attend.

For the Board of Directors,

J. JACQUES BEAUCHEMIN
President

QUEBEC LITHIUM CORPORATION

(No Personal Liability)

(Incorporated under the Quebec Mining Companies Act)

ASSETS

	August 31, 1968	August 31, 1967
CURRENT ASSETS:		
Cash on hand and in bank	\$ 6,771	\$ 25,748
Time deposits	2,191,496	1,775,913
Marketable securities at market value — Note 1 — Annex 1	1,228,260	600,822
Accrued interest	25,720	25,568
Accounts receivable	29,003	118,866
Stocks: Finished products at the lower of cost or market		169,236
	<u>3,481,250</u>	<u>2,716,153</u>
DEFERRED CHARGES:		
Mining, milling and refinery supplies, valued at possible amount of realization	171,124	203,092
Prepaid expenses	7,052	20,831
	<u>178 176</u>	<u>223 923</u>
INVESTMENTS IN AFFILIATED COMPANIES — Annex 1:		
Shares at market value	1,405,100	1,714,710
Other shares and debentures at cost	171,000	86,500
Advances	4,000	110,000
	<u>1,580,100</u>	<u>1,911,210</u>
OTHER SECURITIES	<u>5,724</u>	<u>5,724</u>
REAL ESTATE AT COST	<u>111,175</u>	<u>111,175</u>
FIXED ASSETS — Note 2:		
Mining properties at cost	154,999	154,999
Buildings, plant and equipment at cost		
LESS: accumulated depreciation of (1968 — \$5,031,992) (1967 — \$5,128,095) including increase of prior years' provisions	972,443	1,238,587
	<u>1,127,442</u>	<u>1,393,586</u>
OUTSIDE EXPLORATION EXPENDITURES, less amounts written off	<u>66,158</u>	<u>78,115</u>
	<u>\$ 6,550,025</u>	<u>\$ 6,439,886</u>

Approved on behalf of the Board of Directors
LUCIEN C. BÉLIVEAU
ANDRÉ BEAUCHEMIN

AUDITORS' REPORT TO THE SHAREHOLDERS

BALANCE SHEET

as at August 31, 1968

(with comparative figures as at August 31, 1967)

LIABILITIES

	August 31, 1968	August 31, 1967
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 13,973	\$ 49,634
Instalment due on December 23, 1968 on 3% mortgage payable, plus accrued interest.	7,954	8,134
	<u>21,927</u>	<u>57,768</u>
MORTGAGE on real estate, bearing 3% interest, payable in annual instalments in U.S. funds and maturing December 23, 1972 (converted)	35,750	43,000
LESS: Instalment maturing in 1968	<u>7,150</u>	<u>7,167</u>
	<u>28,600</u>	<u>35,833</u>
CAPITAL STOCK:		
Authorized:		
3,000,000 shares of \$1.00 par value	\$ 3,000,000	
Issued and fully paid:		
2,550,000 shares.	2,550,000	2,550,000
CONTRIBUTED SURPLUS: Net premium on shares issued:	1,768,817	1,768,817
RETAINED EARNINGS, as per statement 2	<u>1,083,850</u>	<u>608,563</u>
	5,402,667	4,927,380
UNREALIZED APPRECIATION on investments	<u>1,096,831</u>	<u>1,418,905</u>
SHAREHOLDERS' EQUITY	6,499,498	6,346,285
	<u>\$ 6,550,025</u>	<u>\$ 6,439,886</u>

NOTE 1 — Contingent liability:

No provision has been made in the financial statements for an assessment from the Minister of Revenue of Quebec for additional taxes on capital of \$9,749.00 which is being contested by the Company. In this connection, the Company has deposited \$100,000.00 Province of Quebec bonds as a guarantee for this claim against the Company as well as those of a similar nature against certain other companies of the Sullivan Group.

NOTE 2 — The figures for fixed assets as at August 31, 1967 have been reclassified to make them comparative with those as at August 31, 1968.

NOTE 3 — Legal proceedings against Sullico Mines Limited concerning the issue and allotment of 4/5 of 340,000 shares in escrow of Sullipek Mines Inc. (non affiliated company) in favor of Sullico Mines Limited et al, in which shares Quebec Lithium Corporation has an interest of 10% and, in case of default in the delivery of such shares, payment of the sum of \$1,000,000.00 in damages by Sullico Mines Limited: in the opinion of the legal adviser of the company, these proceedings are ill-founded in fact and in law.

We have examined the balance sheet of Quebec Lithium Corporation as at August 31, 1968 and the statements of earnings, retained earnings and contributed surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the company, the accompanying balance sheet and statements of earnings, retained earnings, contributed surplus and source and application of funds, when read with the notes thereto, present fairly the financial position of the company as at August 31, 1968 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montreal, October 18, 1968.

MAHEU, NOËL, ANDERSON, VALIQUETTE & ASSOCIÉS
Chartered Accountants

QUEBEC LITHIUM CORPORATION

(No Personal Liability)

STATEMENT OF EARNINGS

for the year ended August 31, 1968

(with comparative figures as at August 31, 1967)

"2"

	August 31, 1968	August 31, 1967
Sales of finished products and materials in process	\$ 84,435	\$ 217,219
LESS: Freight and duty	<u>22,603</u>	<u>77,713</u>
	61,832	139,506
DEDUCT:		
Depreciation of buildings, plant and equipment	243,174	309,902
Idle plant expenses	41,680	120,363
General administrative expenses	40,108	32,930
Marketing and technical research	<u>—</u>	<u>26,944</u>
	324,962	490,139
OPERATING LOSS	(263,130)	(350,633)
Loss on sales of mining and milling supplies	4,995	27,199
Devaluation of mining and milling supplies to their possible realization value (including adjustments in 1967)	<u>13,753</u>	<u>139,650</u>
	18,748	166,849
	(281,878)	(517,482)
Net profit on sales of buildings and equipment	31,669	58,660
Sales of recuperated material and scrap	<u>11,969</u>	<u>17,008</u>
	43,638	75,668
	(238,240)	(441,814)
OTHER EXPENSES:		
Interest on mortgage	<u>1,135</u>	<u>1,356</u>
	(239,375)	(443,170)
OTHER INCOME:		
Dividends	533,733	375,990
Interest	186,380	106,894
Profit on sales of bonds	<u>549</u>	<u>2,589</u>
	720,662	485,473
NET EARNINGS FOR THE YEAR, carried to retained earnings	<u>\$ 481,287</u>	<u>\$ 42,303</u>

STATEMENT OF RETAINED EARNINGS

as at August 31, 1968
(with comparative figures as at August 31, 1967)

BALANCE at the beginning of year
ADD: Net earnings for the year ended August 31

DEDUCT:

Prior year's mining tax adjustments
Cost of power line installed in 1967
BALANCE AS AT AUGUST 31, as per Balance Sheet

SCHEDULE OF INVESTMENTS

As at August 31, 1968

MARKETABLE SECURITIES:

Bonds
Shares

AFFILIATED COMPANIES:

	Shares held	Market price
Hastings Mining and Development Co. Ltd.	800,000	\$1.00
East Sullivan Mines Limited	100,850	6.00

Other shares at cost:

Chester Mines Limited 264,750**-1

Debentures at cost:

Chester Mines Limited:

\$163,500 August 31, 1974, (interest payable at 6½% from August 31, 1969) of which \$84,500 not issued pending authorization by the Province of New Brunswick

OTHER SHARES:

Sullipek Mines Inc. 62,500**-2

ADVANCES:

Chester Mines Limited

**=Including pooled shares: 1 - 93,750; 2 - 22,500.

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

WORKING CAPITAL at beginning of year

SOURCE OF FUNDS:

Net earnings for the year
Depreciation
Decrease in mining and milling supplies
Sales of fixed assets — net
Net increase in the unrealized appreciation in value of investments
Advances to affiliated company, reimbursed
Decrease in prepaid expenses
Reimbursement of portion of outside exploration

APPLICATION OF FUNDS:

Additions to fixed assets
Outside exploration
Instalment on mortgage payable
Advances to an affiliated company
Purchases of shares and debentures
Quebec mining tax

Increase in working capital

WORKING CAPITAL as at August 31

"3"

August 31, 1968	August 31, 1967
\$ 608,563	\$ 568,642
481,287	42,303
<u>1,089,850</u>	<u>610,945</u>
—	2,382
6,000	—
<u>\$ 1,083,850</u>	<u>\$ 608,563</u>

Cost	Annex 1 Market value
\$ 1,245,933	\$ 1,227,848
300	412
<u>\$ 1,246,233</u>	<u>\$ 1,228,260</u>
\$ 124,190	\$ 800,000
166,104	605,100
<u>\$ 290,294</u>	<u>\$ 1,405,100</u>

\$ 17,100	No current market
153,900	
<u>\$ 171,000</u>	
<u>\$ 5,724</u>	
<u>\$ 4,000</u>	

\$ 2,658,385	\$ 2,250,369
481,287	42,303
243,174	309,902
31,968	250,588
22,969	32,634
(3,423)	271
106,000	—
7,779	(587)
11,957	—
<u>901,711</u>	<u>635,111</u>
—	11,892
—	3,393
7,233	7,204
—	110,000
93,540	92,224
—	2,382
<u>100,773</u>	<u>227,095</u>
800,938	408,016
<u>\$ 3,459,323</u>	<u>\$ 2,658,385</u>

**HASTINGS MINING
AND DEVELOPMENT CO. LTD.**

(No Personal Liability)

BOARD OF DIRECTORS

J. Jacques Beauchemin, Q.C.
President

André Beauchemin, Eng.
Executive Vice-President

Jean Beauchemin
Vice-President

Lucien C. Béliveau, Eng.
General Manager

Maurice Scott, Eng.
Exploration Manager

Brigadier-Général J. Guy Gauvreau

J. Albert Doyon

OTHER OFFICERS

Réal J. Lafleur
Secretary-Treasurer

Fernand Cordeau, C.A.
Assistant Secretary-Treasurer

R. B. Gosselin, Eng.
Mine Manager

AUDITORS

Beaulac, Hotte, Langlois
Bennett & Tétreault
Montreal, Que.

BANKS

National Canadian Bank
Provincial Bank of Canada

TRANSFER AGENT

Guaranty Trust Company of Canada
Montreal and Toronto

LISTED

Canadian Stock Exchange
Toronto Stock Exchange

MINE OFFICE

Stratford Center, Que.

HEAD OFFICE

Suite 1400, 507 Place d'Armes
Montreal, Que.

ANNUAL MEETING

December 19, 1968 at 10.15 a.m.
Bonaventure Hotel, Montreal, Que.

DIRECTORS' REPORT

November 22, 1968

HASTINGS MINING AND DEVELOPMENT CO. LTD.

Your directors submit the eleventh annual report of your company, covering the fiscal period ended August 31, 1968.

As of September 1, 1968, and following the ratification of resolution presented at a special meeting of shareholders held November 21, 1968, your company has sold, subject to liabilities, its Solbec mine together with other mining interests, investments and assets, except cash, for the sum of \$3,854,505. Subsequently, your company bought 800,000 shares of Sullivan Mines Ltd., previously known as Sullivan Consolidated Mines Limited.

At the same special meeting, the directors obtained the authorization to execute the necessary procedures for the distribution of the company's assets and the surrender of its charter.

Since it is intended that the distribution of the assets of your company will soon be effected, the shareholders of Hastings will become shareholders of Sullivan Mines Ltd. A copy of the Sullivan report is included in this booklet, for the information of Hastings shareholders.

GENERAL

It was with regret that the death was recorded last April, of your President, Dr. Pierre Beauchemin. As a tribute to his memory, the directors wish to state their appreciation and gratefulness to those who aided him in his efforts and shared in his achievements.

You are cordially invited to attend the Annual Shareholders' Meeting to be held on December 19, 1968 at the Hotel Bonaventure in Montreal.

Your directors thank all the company's employees for their loyal services.

On behalf of the Board of Directors,

J. JACQUES BEAUCHEMIN
President

HASTINGS MINING AND DEVELOPMENT CO. LTD.

(No Personal Liability)
and its subsidiary

SOLBEC COPPER MINES, LTD.

(No Personal Liability)
(Incorporated under the Quebec Mining Companies' Act)

ASSETS

	August 31, 1968	August 31, 1967
CURRENT ASSETS:		
Cash on hand, in bank and demand deposit	\$ 127,215	\$ 134,333
Time deposits	—	1,216,050
Marketable securities at market value:		
Bonds	1,494,221	1,485,613
Shares	9,200	10,000
Accrued interest receivable	15,446	20,126
Accounts and loan receivable	150,822	296,518
Income taxes recoverable	—	105,000
Concentrates valued at estimated net return under firm sales contract less advances thereon	1,519,694	67,724
Ore in stock pile valued at cost of mining	—	603,394
Mining and milling supplies valued at average cost	732,172	618,188
Prepaid expenses	6,358	10,967
Special refundable tax	15,086	—
	<u>4,070,214</u>	<u>4,567,913</u>
SPECIAL REFUNDABLE TAX	—	47,841
INVESTMENTS		
300,000 shares, Cupra Mines Ltd. valued at shareholders' equity	301,787	227,470
Other shares and debentures at cost	176,140	91,640
Advances	—	110,000
	<u>477,927</u>	<u>429,110</u>
FIXED ASSETS:		
Mining properties at cost	96,137	98,446
Buildings, plant and equipment at cost less depreciation of \$729,950.97	404,130	808,249
	<u>500,267</u>	<u>906,695</u>
OUTSIDE EXPLORATION EXPENSES		
Less amortization	115	14,166
	<u>\$ 5,048,523</u>	<u>\$ 5,965,725</u>

Approved on behalf of the Board of Directors
ANDRÉ BEAUCHEMIN
MAURICE SCOTT

AUDITORS' REPORT TO THE SHAREHOLDERS

CONSOLIDATED BALANCE SHEET

As at August 31, 1968

(with comparative figures as at August 31, 1967)

LIABILITIES

	August 31, 1968	August 31, 1967
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 416,124	\$ 334,306
Wages payable	23,605	18,394
Provision for income taxes and mining duties, less instalments thereon	627,074	—
	<u>1,066,803</u>	<u>352,700</u>
 CAPITAL STOCK:		
Authorized, issued and fully paid:		
5,000,000 shares at \$1.00 par value	5,000,000	5,000,000
Less discount thereon	<u>4,508,495</u>	<u>4,508,495</u>
	491,505	491,505
Retained profit as per statement	3,530,066	5,243,496
Unrealized appreciation on investments	<u>204,061</u>	<u>121,936</u>
	4,225,632	5,856,937
 LESS:		
Excess of cost over book value of subsidiary shares at date of acquisition	<u>243,912</u>	<u>243,912</u>
 SHAREHOLDER'S EQUITY	<u>3,981,720</u>	<u>5,613,025</u>
	<u>\$ 5,048,523</u>	<u>\$ 5,965,725</u>

We have examined the balance sheet of Hastings Mining and Development Co. Ltd. and its subsidiary: Solbec Copper Mines Ltd. as at August 31, 1968 and the statements of earnings and retained earnings for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the company, the accompanying balance sheet and statements of earnings, retained earnings and source and application of funds when read with the notes thereon present fairly the financial position of the company as at August 31, 1968 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding years.

Montreal, October 24, 1968

BEAULAC, HOTTE, LANGLOIS, BENNETT & TÉTREAULT
Chartered Accountants

HASTINGS MINING AND DEVELOPMENT CO. LTD.

(No Personal Liability) and its subsidiary

SOLBEC COPPER MINES, LTD.

(No Personal Liability)

NOTES TO FINANCIAL STATEMENTS

Note 1

As of September 1, 1968 Solbec Copper Mines, Ltd. has transferred assets and liabilities to Hastings Mining and Development Co. Ltd. as a preliminary step towards the liquidation and winding-up of the company which was approved and ratified by the shareholders of Solbec Copper Mines, Ltd. at a meeting held on the 30th day of August 1968.

Note 2

- A) Sullivan Consolidated Mines Limited has offered to purchase the net assets (excluding cash) of the company as of September 1, 1968. This transaction to take place after the acquisition by the company of the net assets of Solbec Copper Mines, Ltd. The consideration to be paid by Sullivan Consolidated Mines Limited will be the sum of \$3,854,505.61 representing total assets (excluding cash) less total liabilities of Hastings as at August 31, 1968.

Sullivan Consolidated Mines Limited will also undertake to indemnify Hastings Mining and Development Co. Ltd., Solbec Copper Mines, Ltd. and their directors against all claims, adjustments or additional liabilities which could affect the global amount payable for the net assets of the above mentioned companies.

- B) Hastings Mining and Development Co. Ltd. has offered to subscribe for 800,000 shares without par value of the capital stock of Sullivan Mines Ltd. at the price of \$5.00 per share payable cash on or before November 30, 1968. Sullivan Consolidated Mines Limited has accepted this offer on the 30th of August 1968.
- C) The transactions contemplated in paragraphs A and B above are subject to obtaining the required letters patent changing the name of Sullivan Consolidated Mines Limited to Sullivan Mines Ltd. — Les Mines Sullivan Ltée, and converting and increasing the capital stock of the said company.

The same transactions are also subject to obtaining the approval and ratification by the shareholders of the companies concerned as well as the approval where relevant of the appropriate Security Commissions and Stock Exchanges.

- D) Any further adjustment or other contingent liabilities affecting the aggregate amount referred above shall at all times be for the account of Sullivan.

Note 3

Contingent liabilities:

The company has received an assessment for additional tax on capital amounting to \$6,832.00. This assessment is being contested and no provision has been made in the accounts for this amount.

Note 4

By-law No. 8 authorizing the company to distribute all of its assets to its shareholders proportionately to their holdings in the company, and by-law No. 9 authorizing the surrender of the Charter of the company, have been approved by the Directors of the company at a meeting held on the 18th day of October 1968 and are to be ratified by the shareholders at a special general meeting called for that purpose to be held on November 21, 1968.

HASTINGS MINING AND DEVELOPMENT CO. LTD.

(No Personal Liability) and its subsidiary

SOLBEC COPPER MINES, LTD.

(No Personal Liability)

CONSOLIDATED STATEMENTS OF OPERATIONS

For the year ended August 31, 1968

(with comparative figures as at August 31, 1967)

	August 31, 1968	August 31, 1967
REVENUE FROM METAL RECOVERIES		
Production	\$ 6,623,342	\$ 589,560
LESS: cost of realization and freight	2,469,884	78,913
	<u>4,153,458</u>	<u>510,647</u>
DEDUCT:		
Development and exploration expenses	18,476	3,465
Mining expense	1,120,618	458,127
Milling expense	524,435	11,412
Ore trucking	11,603	—
General mine overhead	196,574	94,807
General administration expenses	133,178	83,909
Idle plant expenses, lock-out period	—	210,316
Depreciation of buildings, plant and equipment	85,044	104,560
Amortization of pre-milling expenses	338,173	51,373
	<u>2,428,101</u>	<u>1,017,969</u>
OPERATING PROFIT	1,725,357	(507,322)
Profit or loss on sales of fixed assets	2,043	303,686
	<u>1,727,400</u>	<u>(203,636)</u>
OTHER INCOME:		
Custom milling, administration, sundry	85,048	63,339
Dividends	320,575	360,575
Interest	92,628	174,322
	<u>498,251</u>	<u>598,236</u>
PROFIT BEFORE TAXES	2,225,651	394,600
Provision for Quebec Mining tax	268,601	—
Provision for income taxes	612,564	(105,000)
	<u>881,165</u>	<u>(105,000)</u>
CONSOLIDATED NET PROFIT FOR THE YEAR		
Carried to retained earnings	<u>\$ 1,344,486</u>	<u>\$ 499,600</u>

HASTINGS MINING AND DEVELOPMENT CO. LTD.

(No Personal Liability) and its subsidiary

SOLBEC COPPER MINES, LTD.

(No Personal Liability)

CONSOLIDATED STATEMENT OF RETAINED PROFITS

as at August 31, 1968

(with comparative figures as at August 31, 1967)

	August 31, 1968	August 31, 1967
BALANCE AT THE BEGINNING OF THE YEAR	\$ 5,243,496	\$ 6,438,514
ADD:		
Consolidated net profit for the year	1,344,486	499,600
Adjustment, taxes of prior years, etc.	(58,071)	305,382
Adjustment, sundry expenses	155	—
	6,530,066	7,243,496
DEDUCT:		
Dividends paid	3,000,000	2,000,000
	<u>\$ 3,530,066</u>	<u>\$ 5,243,496</u>

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended on August 31, 1968

(with comparative figures for the year 1967)

	August 31, 1968	August 31, 1967
WORKING CAPITAL, beginning of year	\$ 4,215,213	\$ 4,730,870
SOURCE OF FUNDS:		
Net profit for the year	1,344,486	499,600
Depreciation	85,044	104,560
Amortization, pre-milling expenses	—	51,373
Special refundable tax	47,841	1,273
Decrease in outside exploration expenditures	14,051	5,733
Net decrease in fixed assets	321,385	708,481
Advances repaid	110,000	—
Adjustment, expenses and taxes of prior years	155	305,382
Increase in unrealized appreciation of investments	82,125	(24,673)
Adjustment, marketable securities	—	29,114
	<u>2,005,086</u>	<u>1,680,843</u>
APPLICATION OF FUNDS:		
Dividends paid	3,000,000	2,000,000
Adjustment, taxes of prior years	58,071	—
Advances and purchase of shares and debenture	84,500	196,500
Appreciation, holdings of Cupra Mines, Ltd.	74,316	—
	<u>3,216,887</u>	<u>2,196,500</u>
Net decrease	<u>1,211,801</u>	<u>515,657</u>
WORKING CAPITAL, end of year	<u>\$ 3,003,412</u>	<u>\$ 4,215,213</u>

SCHEDULE OF INVESTMENTS

as at August 31, 1968

MARKETABLE SECURITIES:

Bonds	\$ 1,571,862	\$ 1,494,221
Shares	10,000	9,200
	<u>\$ 1,581,862</u>	<u>\$ 1,503,421</u>

OTHER SHARES AND DEBENTURES

	Shares held	Cost	Market Value
Cupra Mines Ltd.	300,000	\$ 19,285	\$ 301,787
(Valued as per shareholders' equity on 1968 audited balance sheet)			
Chester Mines Limited			
common shares	264,750	\$ 17,100	} No Current Market Value
Chester Mines Limited			
debentures 6½% due August 31, 1974	\$ 163,500	153,900	
Clinton Copper Mines Ltd.			
common shares	41,236	—	
Clinton Copper Mines Ltd.			
4% preferred	5,140	5,140	}
		<u>\$ 176,140</u>	

MINE MANAGER'S REPORT

October 9, 1968

The President and Directors,

SOLBEC COPPER MINES, LTD. (N.P.L.)

Gentlemen:

This report covers operations at your property during the fiscal year ended August 31, 1968.

PRODUCTION

Metals	Pounds	Value
Copper	6,211,696 lbs	\$ 3,006,379.
Zinc	20,118,008 lbs	2,460,632.
Lead	3,089,459 lbs	310,443.
Gold	2,703 ozs	101,433.
Silver	255,292 ozs	591,174.
Cadmium	104,938 lbs	299,033.

MILLING

A total of 266,525 tons of ore were milled. Average grade of mill feed was 1.35% Copper, 4.62% Zinc, 0.84% Lead, 0.024 ounce Gold and 1.793 ounces Silver per ton.

The following mean recoveries were obtained: Copper 83.98%; Zinc 82.86%; Lead 70.67%; Gold 42.25%; Silver 61.89%.

DEVELOPMENT

The following underground development was done.

Raising	845 feet
Stope Preparation	805 feet
Diamond Drilling	1,909 feet

RESERVES

Ore reserves at September 1, 1968 were 247,450 tons grading 1.18% Copper, 4.05% Zinc, 1.02% Lead, 0.030 ounce Gold and 2.30 ounces Silver per ton. In addition 40,000 tons remaining in ore pillars may be partly available for mining.

REMARKS

The availability of 60,700 tons of ore in stockpile was of considerable help in maintaining operations at peak during the past year. This source of mill feed, not being available now, will result in a reduction in tonnage milled during the coming year.

In spite of diamond drilling done, to explore every possible extensions of the ore body, no favorable indications were observed.

Labor relations were good throughout this year — contributing in a large measure to maintain efficient operations.

I wish to thank the President, the Executive Vice-President, the Directors and the General Manager for their help and guidance during the year. I also thank the mine staff for their efficiency and loyalty.

Respectfully submitted,

SOLBEC COPPER MINES, LTD.

R. B. GOSSELIN, Eng.
Mine Manager

CUPRA MINES LTD.
(No Personal Liability)

BOARD OF DIRECTORS

J. Jacques Beauchemin, Q.C.
President

André Beauchemin, Eng.
Executive Vice-President

Lucien C. Béliveau, Eng.
General Manager

Claude Beauchemin, Attorney

Gendron Beauchemin, Eng.

André Latreille, Eng.

Mrs. Pauline B. Béliveau

OTHER OFFICERS

Réal J. Lafleur
Secretary-Treasurer

Fernand Cordeau, C.A.
Assistant Secretary-Treasurer

R. B. Gosselin, Eng.
Mine Manager

Maurice Scott, Eng.
Exploration Manager

AUDITORS

Beaulac, Hotte, Langlois,
Bennett & Tétreault
Montreal, Que.

BANKS

National Canadian Bank
Provincial Bank of Canada

MINE OFFICE

Stratford Center, Que.

HEAD OFFICE

Suite 1400, 507 Place d'Armes
Montreal, Que.

November 22, 1968

CUPRA MINES LTD.

The seventh annual report of Cupra Mines Ltd. covers the fiscal period ended August 31, 1968.

The balance sheet, the profit and loss statement and the manager's report point to the success of your company and provide significant figures.

Following the approval on November 21, 1968, by the shareholders of Sullivan Consolidated Mines Limited and Hastings Mining and Development Co. Ltd. of an agreement of purchase and sale, the net effective interest of East Sullivan Mines Limited (Sullico) in Cupra becomes 83% and the interest of Sullivan Mines Ltd. 75%.

OUTLOOK

The net profit for the period is \$3,982,691 compared to \$3,365,614 for the previous fiscal year.

The known ore reserves on September 1, 1968 are sufficient to allow similar production for the next three years. Since October 5, 1968, underground drifting on the Cupra property has uncovered a new ore zone that could lengthen the life of the operation.

The thirty-six months tax exemption period at Cupra came to an end on September 30, 1968. Write-off of pre-milling expenditures of \$2,019,841. and the allowable 30% depreciation on buildings, machinery and equipment, estimated at \$2,503,626., will substantially reduce the provisions for income tax of the company for the fiscal year ending on August 31, 1969. After that period, the taxes and mining rights could easily absorb about one-third of the gross operating profits.

FINANCE

During the last fiscal period, Cupra paid \$3,200,000. in dividends, and retired \$880,000 of its debts. The company added \$569,966 to its fixed assets and development expenses. Its debt to affiliated companies amounted to \$1,495,000 at August 31, 1968. The gradual repayment of debt will continue without interfering along with the payment of the dividends.

Your directors wish to express their appreciation to the officers and employees of the company for their loyal services.

For the Board of Directors,

J. JACQUES BEAUCHEMIN
President

CUPRA MINES LTD.

(No Personal Liability)

(Incorporated under the Quebec Mining Companies Act)

ASSETS

	August 31, 1968	August 31, 1967
CURRENT ASSETS:		
Cash on hand and in bank	\$ 38,138	\$ 119,513
Accounts receivable	209,820	23,513
Accrued interest receivable	6,584	5,918
Prepaid expenses	17,763	22,327
Concentrates valued at estimated net return under firm sales contracts, less advances thereon	1,604,954	1,613,141
Special refundable tax	<u>31,386</u>	<u>—</u>
	<u>1,908,645</u>	<u>1,784,412</u>
 SPECIAL REFUNDABLE TAX	 <u>119,094</u>	 <u>206,386</u>
 FIXED ASSETS AT COST:		
Mining properties	99,064	99,064
Land, buildings, plant and equipment less depreciation of \$972,740.	<u>1,711,989</u>	<u>1,911,142</u>
	<u>1,811,053</u>	<u>2,010,206</u>
 PRE-MILLING EXPENSES AND DEFERRED DEVELOPMENT less amortization	 <u>1,302,634</u>	 <u>1,389,923</u>
	<u>\$ 5,141,426</u>	<u>\$ 5,390,927</u>

Approved on behalf of the Board of Directors

J. JACQUES BEAUCHEMIN

LUCIEN C. BÉLIVEAU

AUDITORS' REPORT TO THE SHAREHOLDERS

BALANCE SHEET

as at August 31, 1968

(With comparative figures as at August 31, 1967)

LIABILITIES

	August 31, 1968	August 31, 1967
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	\$ 232,383	\$ 402,409
Wages payable	27,866	23,814
Provision for Quebec Mining Tax	368,309	215,000
Special Refundable tax	—	100,000
	<u>628,558</u>	<u>741,223</u>
 LOANS AND ADVANCES FROM AFFILIATED COMPANIES	 <u>1,495,000</u>	 <u>2,375,000</u>
 CAPITAL STOCK:		
Authorized, issued and fully paid 3,000,000 shares at \$1.00 par value	3,000,000	3,000,000
Less discount thereon	<u>2,699,994</u>	<u>2,699,994</u>
	300,006	300,006
 RETAINED EARNINGS as per statement 2	 <u>2,717,862</u>	 <u>1,974,698</u>
SHAREHOLDERS' EQUITY	<u>3,017,868</u>	<u>2,274,704</u>
	<u>\$ 5,141,426</u>	<u>\$ 5,390,927</u>

NOTE: The 36 month tax exempt period ends September 30, 1968.

We have examined the balance sheet of CUPRA MINES LTD. as at August 31, 1968 and the statements of earnings and retained earnings for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the company, the accompanying balance sheet and statements of earnings, retained earnings and source and application of funds present fairly the financial position of the company as at August 31, 1968 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

BEAULAC, HOTTE, LANGLOIS, BENNETT & TÉTREULT
Chartered Accountants.

Montreal, October 24, 1968.

CUPRA MINES LTD.

(No Personal Liability)

STATEMENT OF RETAINED EARNINGS

"2"

as at August 31, 1968

(With comparative figures as at August 31, 1967)

	August 31, 1968	August 31, 1967
BALANCE at the beginning of year	\$ 1,974,698	\$ 2,265,829
ADD:		
Net profit for the year	3,982,690	3,365,614
	<u>5,957,388</u>	<u>5,631,443</u>
DEDUCT:		
Dividends paid	3,200,000	3,600,000
Mining tax paid in excess of 1966 provision	—	56,745
Net adjustment for mining taxes 1966 and 1967	39,526	—
	<u>3,239,526</u>	<u>3,656,745</u>
BALANCE AT THE END OF YEAR		
carried to balance sheet	<u>\$ 2,717,862</u>	<u>\$ 1,974,698</u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended August 31, 1968

(With comparative figures for the year 1967)

	August 31, 1968	August 31, 1967
WORKING CAPITAL, beginning of year.	\$ 1,043,189	\$ 2,127,047
SOURCE OF FUNDS:		
Net profit for the year	3,982,691	3,365,614
Depreciation	402,757	372,480
Amortization, pre-milling expenses.	453,650	348,460
Special refundable tax	87,292	—
	<u>\$ 4,926,390</u>	<u>\$ 4,086,554</u>
APPLICATION OF FUNDS:		
Dividends paid	\$ 3,200,000	\$ 3,600,000
Taxes	39,526	160,854
Net increase in fixed assets and in pre-milling expenses	569,966	1,134,558
Decrease in loans and advances	880,000	275,000
	<u>4,689,492</u>	<u>5,170,412</u>
Net increase (decrease) in working capital	<u>236,898</u>	<u>(1,083,858)</u>
WORKING CAPITAL, end of year	<u>\$ 1,280,087</u>	<u>\$ 1,043,189</u>

STATEMENT OF EARNINGS

For the year ended August 31, 1968

(With comparative figures as at August 31, 1967)

	August 31, 1968	August 31, 1967
REVENUE FROM METAL RECOVERIES:— Production	\$ 9,665,843	\$ 9,172,167
Less cost of realization and freight	<u>2,155,377</u>	<u>2,578,290</u>
	7,510,466	6,593,877
DEDUCT:		
Development expense	26,662	10,014
Mining expense	1,439,241	1,373,917
Milling expense	380,457	428,971
Ore trucking	50,991	57,120
General mine overhead	248,530	161,868
General administration expense	51,056	59,337
Depreciation of buildings, plant and equipment	402,757	372,480
Amortization of pre-milling expenses	<u>453,650</u>	<u>348,460</u>
	3,053,344	2,812,167
OPERATING PROFIT	<u>4,457,122</u>	<u>3,781,710</u>
Loss on sale of equipment	—	14,682
Interest on loans	<u>25,168</u>	<u>33,676</u>
	25,168	48,358
	<u>4,431,954</u>	<u>3,733,352</u>
OTHER INCOME:		
Custom milling	79,958	—
Profit on sale of equipment	504	—
Interest	<u>13,473</u>	<u>7,262</u>
	93,935	7,262
PROFIT BEFORE TAXES	4,525,889	3,740,614
Provision for Quebec Mining Tax	<u>543,198</u>	<u>375,000</u>
NET PROFIT FOR THE YEAR:		
Carried to Retained Earnings	<u>\$ 3,982,691</u>	<u>\$ 3,365,614</u>

MINE MANAGER'S REPORT

October 9, 1968

The President and Directors,
CUPRA MINES LTD. (N.P.L.)

Gentlemen:

This report covers operations at your property during the fiscal year ended August 31, 1968.

PRODUCTION

Metals	Pounds	Value
Copper	12,752,979 lbs	\$ 6,894,305.
Zinc	11,568,113 lbs	1,419,218.
Lead	458,361 lbs	44,698.
Gold	2,218 ozs	87,587.
Silver	213,624 ozs	511,665.
Cadmium.	60,731 lbs	173,103.

MILLING

A total of 226,825 tons of ore were milled. Average grade of mill feed was 2.91 % Copper, 3.54 % Zinc, 0.47 % Lead, 0.016 ounce Gold and 1.233 ounces Silver per ton.

The following mean recoveries were obtained: Copper 95.25 %; Zinc 72.79 %, Lead 21.74 %; Gold 69.13 %; Silver 78.45 %.

DEVELOPMENT

The following underground development was done.

Drifts, Cross-cuts, Raises	3,570 feet
Stope Preparation	1,586 feet

RESERVES

Ore reserves at September 1, 1968, as outlined by underground workings and diamond drilling, total approximately 704,000 tons grading 2.80 % Copper, 5.25 % Zinc, 0.69 % Lead, 0.013 ounce Gold and 1.150 ounces Silver per ton. No tonnage has yet been calculated for recent underground ore development as described in the Exploration Manager's Report.

REMARKS

We wish to note the purchase of a Raise Boring Machine for use in mine development work. This piece of equipment was used extensively with success during the year to provide ventilation airways and ore passes at Cupra for a total of 794 feet.

Excellent labor relations were entertained with the employees and as a result operations were smooth and efficient.

I wish to thank the President, the Executive Vice-President, the Directors and the General Manager for their help and guidance during the year. I also thank the mine staff for their efficiency and loyalty.

Respectfully submitted,

CUPRA MINES LTD.
R. B. GOSSELIN, Eng.
Mine Manager

D'ESTRIE MINING COMPANY LTD.

(No Personal Liability)

BOARD OF DIRECTORS

J. Jacques Beauchemin, Q.C.
President

André Beauchemin, Eng.
Executive Vice-President

Lucien C. Béliveau, Eng.
General Manager

Claude Beauchemin, Attorney

Gendron Beauchemin, Eng.

André Latreille, Eng.

Major Jacques Gauvreau

OTHER OFFICERS

Réal J. Lafleur
Secretary-Treasurer

Fernand Cordeau, C.A.
Assistant Secretary-Treasurer

R. B. Gosselin, Eng.
Mine Manager

Maurice Scott, Eng.
Exploration Manager

AUDITORS

Beaulac, Hotte, Langlois,
Bennett & Tétreault
Montreal, Que.

BANKS

National Canadian Bank
Provincial Bank of Canada

MINE OFFICE

Stratford Center, Que.

HEAD OFFICE

Suite 1400, 507 Place d'Armes
Montreal, Que.

D'ESTRIE MINING COMPANY LTD.

November 22, 1968

In this third annual report of D'Estrie Mining Company Ltd., covering the fiscal period ending August 31, 1968, it may be of interest to review briefly the development history of the property.

FORTUITOUS REWARD OF EXPLORATION

Twenty-three years of exploration effort by Sullivan Consolidated Mines Limited and some eighteen years of exploration by East Sullivan Mines Limited (Sullico) have led up to the present development work being carried out by D'Estrie Mining Company on mining concession 496 in Stratford Township. D'Estrie must be considered as the long-awaited but fortuitous reward for the two companies' mineral search efforts and exploration spending over the years.

The Solbec deposit was discovered by an American firm in 1958. The Cupra deposit was detected by the same U.S. company in 1959: it was through the development efforts of Sullivan and Sullico that the importance and extent of the Cupra mine were recognized and defined.

On the incorporation of Cupra Mines Ltd., the entire property constituting Block C, bought from Hastings Mining and Development Co. Ltd. and the U.S. firm, was transferred to Cupra. Adjacent to the Cupra property was ground (mining concession No. 496) which had been staked or optioned by Sullivan and Sullico prior to the Solbec and Cupra discoveries, and prior to the transactions with the U.S. firm. There were no business reasons for the two companies to involve third parties in exploring what became D'Estrie.

(In contrast, Solbec and Cupra are the results of developments of finds already made by others. On Cupra, specifically, diamond drill holes C-11 and C-12, drilled by the U.S. company in November and December 1958, had already revealed the possibility of an ore shoot, before the mining property (the entire bloc "C") was transferred to Cupra Mines Ltd.).

HISTORY OF THE COMPANY

D'Estrie Mining Company Ltd. was incorporated under the Quebec Mining Companies Act on November 11, 1965. On November 12, 1965, Sullivan and Sullico jointly transferred to D'Estrie their mining concession No. 496, Stratford Township, Quebec, for considerations that included 750,000 vendor shares of D'Estrie, from capitalization of three million shares. Subsequently, as a result of financing arrangements, Sullivan and Sullico acquired all authorized shares of D'Estrie.

Events, leading to this, go back to 1950 when Sullivan and Sullico were exploring in this area — long before the discovery of Solbec and Cupra by others. Through staking and acquisition of rights, Sullivan and Sullico maintained their interests and in 1961 filed an application for what became mining concession No. 496. This was granted in 1963.

Since acquiring the property, including mining concession No. 496, D'Estrée Mining has been exploring and developing the ground on its own right. The results thus far indicate what might become a substantial, economic, ore deposit.

MINE DEVELOPMENT

Extensive underground development was necessary to gain access to the deposit and permit operations. Two thousand feet of internal shaft sinking have already been carried out.

To August 31, 1968, some \$1,856,743 has been spent in fixed assets and development work. It is anticipated an additional \$1,100,000 will be spent to delineate the deposit and prepare it for mining.

D'Estrée has already used Cupra Mines facilities for access and it may prove mutually advantageous and efficient to use common access ways when production starts. However, the common ways of access will not interfere with simultaneous operations of Cupra and D'Estrée.

Meanwhile, the shaft sinking will continue until the primary objective of 4,750 feet depth is reached. This should be achieved by about June, 1969. Following this, lateral work necessary to delineate the deposit and prepare it for mining will be carried out.

The directors believe 1969 will be a significant year for D'Estrée and anticipate the program during this year will confirm the property as a new mine. The Canadian mining industry has been assured, following publication of the Carter Report, that the three-year tax exemption period should still apply for new mines up to 1974. It is the aim of the company's management to gain full benefit of this exemption for D'Estrée by an early start of commercial production.

The Board of Directors sincerely appreciates the loyal services of all employees of the company.

For the board of Directors,

J. JACQUES BEAUCHEMIN
President

D'ESTRIE MINING COMPANY LTD.

(No Personal Liability)

(Incorporated under the Quebec Mining Companies Act)

ASSETS

	August 31, 1968	August 31, 1967
CURRENT:		
Cash on hand and in bank	\$ 2,038	\$ 79,334
Accounts receivable	<u>2,135</u>	<u>—</u>
	<u>4,173</u>	<u>79,334</u>
 FIXED:		
Mining properties	79,945	79,945
Equipment	<u>503,851</u>	<u>424,098</u>
	<u>583,796</u>	<u>504,043</u>
 PRE-PRODUCTION EXPENSES:		
Development expenses	1,100,741	805,327
Administrative expenses	<u>172,206</u>	<u>56,536</u>
	<u>1,272,947</u>	<u>861,863</u>
	<u><u>\$ 1,860,916</u></u>	<u><u>\$ 1,445,240</u></u>

Approved on behalf of the Board of Directors

ANDRÉ BEAUCHEMIN

LUCIEN C. BÉLIVEAU

AUDITORS' REPORT TO THE SHAREHOLDERS

BALANCE SHEET

as at August 31, 1968

(With comparative figures as at August 31, 1967)

LIABILITIES

	August 31, 1968	August 31, 1967
CURRENT:		
Accounts payable and accrued expenses	\$ 9,462	\$ 48,592
Wages payable	<u>5,891</u>	<u>5,585</u>
	15,353	54,177
LOANS AND ADVANCES FROM AFFILIATED COMPANIES	<u>1,666,500</u>	<u>1,212,000</u>
CAPITAL STOCK:		
Authorized:		
3,000,000 shares of \$1.00 par value	<u>\$ 3,000,000</u>	
Issued and fully paid:		
1,790,562 shares.	1,790,562	1,790,562
Less: discount thereon	<u>1,611,499</u>	<u>1,611,499</u>
SHAREHOLDERS' EQUITY	<u>179,063</u>	<u>179,063</u>
	<u>\$ 1,860,916</u>	<u>\$ 1,445,240</u>

We have examined the Balance Sheet of D'Estrie Mining Company Ltd. (No Personal Liability) as at August 31, 1968 and the related statements of development expenses, of administrative expenses and the statement of source and application of funds for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying Balance Sheet and the related statements of development expenses of administrative expenses and the statement of source and application of funds present fairly the financial position of the Company as at August 31, 1968 and the result of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

BEAULAC, HOTTE, LANGLOIS, BENNETT & TÉTREAU
Chartered Accountants

Montreal, October 31, 1968.

D'ESTRIE MINING COMPANY LTD.

(No Personal Liability)

STATEMENT OF DEVELOPMENT EXPENSES

For the year ended August 31, 1968

	Balance August 31, 1967	Additions	Balance August 31, 1968
Development expenditures	\$ 738,484	\$ 250,804	\$ 989,288
General expenses	66,843	44,610	111,453
AS PER BALANCE SHEET	<u>\$ 805,327</u>	<u>\$ 295,414</u>	<u>\$ 1,100,741</u>

STATEMENT OF ADMINISTRATIVE EXPENSES

For the year ended August 31, 1968

	Balance August 31, 1967	Additions	Balance August 31, 1968
Legal and audit	\$ 4,200	\$ 512	\$ 4,712
Taxes	241	615	856
Interest	51,868	89,906	141,774
Miscellaneous	227	24,637	24,864
AS PER BALANCE SHEET	<u>\$ 56,536</u>	<u>\$ 115,670</u>	<u>\$ 172,206</u>

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

For the year ended August 31, 1968

(With comparative figures for the year ended August 31, 1967)

	August 31, 1968	August 31, 1967
WORKING CAPITAL, beginning of year	<u>\$ 25,157</u>	<u>\$ (192,601)</u>
SOURCE OF FUNDS:		
Advances, affiliated companies	<u>454,500</u>	<u>897,000</u>
APPLICATION OF FUNDS:		
Increase in fixed assets	79,754	154,024
Increase in pre-milling expenses	<u>411,084</u>	<u>525,218</u>
	<u>490,838</u>	<u>679,242</u>
Net increase in working capital	<u>(36,338)</u>	<u>217,758</u>
WORKING CAPITAL, end of year	<u>\$ (11,181)</u>	<u>\$ 25,157</u>

MINE MANAGER'S REPORT

October 9, 1968

The President and Directors,
D'ESTRIE MINING COMPANY LTD. (N.P.L.)

Gentlemen:

This report covers operations at your property during the fiscal year ended August 31, 1968.

DEVELOPMENT

The following development work was done during the year:

	Advance (ft.)	Slash (cu. ft.)
Shaft Sinking	447	—
Stations (2).	—	6,240
Crosscuts.	1,230	—
Ventilation Drive	335	—
Drifts	863	—
Raises	1,677	—
Slashing	—	29,444
Diamond Drilling	1,671	—

Shaft sinking was discontinued for eight months, during the year, in order to push an exploration drift on the 3575 level and also to establish main crosscuts to the ore zone on the ten existing levels. An ore pass system, including a loading station, and ventilation raises extending to the 3425 foot level were also completed. At the end of the year, the shaft had reached a depth of 3730 feet; the shaft is projected to reach a depth of 4725 feet.

ORE RESERVES

Ore reserves indicated by diamond drilling between the 2522 and 3122 foot horizons have been calculated at 380,000 tons grading 3.03 % Copper, 3.41 % Zinc, 0.66 % Lead, 0.013 ounce of Gold and 1.05 ounces of Silver per ton across an average true width of 7.5 feet.

We refer you to the Exploration Manager's Report for a description of new ore development carried out during the year and its implication on D'Estrie ore reserves.

You will note that 705 tons per vertical foot have already been indicated by drifting on the 3575 foot level with a content: 3.61 % Copper; 2.25 % Zinc; 0.38 % Lead; 0.011 ounce of Gold and 0.82 ounce of Silver per ton across an average true width of 7.1 feet. The face of the drifts was still in the ore, when it was stopped in order to resume shaft deepening.

REMARKS

A method of "Raise Boring" was used to drive the ore pass and ventilation raises for a total of 1432 feet with efficiency and considerable time-saving.

Good labor relations have contributed largely in maintaining efficiency of operations.

I wish to thank the President, the Executive Vice-President, the Directors and in particular the General Manager for their helpful advice and cooperation. I also thank all members of the mine staff for their loyalty and efficiency.

Respectfully submitted,

D'ESTRIE MINING COMPANY LTD.

R. B. GOSSELIN, Eng.
Mine Manager

WEEDON MINES LTD.

(No Personal Liability)

BOARD OF DIRECTORS

J. Jacques Beauchemin, Q.C.
President

André Beauchemin, Eng.
Executive Vice-President

Lucien C. Béliveau, Eng.
General Manager

Claude Beauchemin, Attorney

Boris S. Karpoff, Eng.

Julius Mallin

Miss O. E. Smith

OTHER OFFICERS

Réal J. Lafleur
Secretary-Treasurer

Fernand Cordeau, C.A.
Assistant Secretary-Treasurer

R. B. Gosselin, Eng.
Mine Manager

Maurice Scott, Eng.
Exploration Manager

AUDITORS

Beaulac, Hotte, Langlois
Bennett & Tétreault
Montreal, Que.

BANKS

National Canadian Bank
Provincial Bank of Canada

MINE OFFICE

Stratford Center, Que.

HEAD OFFICE

Suite 1400, 507 Place d'Armes
Montreal, Que.

November 22, 1968

WEEDON MINES LTD.

Your directors are pleased to submit the first annual report of Weedon Mines Ltd. together with the financial statements as at August 31, 1968.

Weedon Mines Ltd. is effectively owned by two companies of the Sullivan Mining Group to the extent of 87.5%, while the remaining 12.5% is held by Wisconsin Mining Co. Ltd. Sullivan Consolidated Mines Limited owns one-third of the 87.5% while East Sullivan Mines Limited, through Sullico, owns two-thirds of this interest.

Weedon Mines Ltd. was incorporated on March 28, 1968, to acquire the mining properties previously held by Wisconsin Mining Co. Ltd. A formal agreement to that effect was signed on June 25, 1968, between Wisconsin, Sullico and Weedon Mines Ltd.

ANNOUNCEMENT DATED JANUARY 18, 1968

Following is the text of a press release, dated January 18, 1968, which was issued by the company and summarizes the work which led up to the incorporation of Weedon Mines.

"Sullico Mines Limited has obtained a 16.2 foot intersection (true width of 15.2') averaging 2.69% Cu at a depth of 2,510 feet in a vertical hole drilled from surface on the property of Wisconsin Mining Co. Ltd. located in the Eastern Townships of Quebec. The property was formerly owned by Weedon Mining Corporation which operated a small copper mine from 1952 to 1959. The first mining operations on the property were conducted by Weedon Mining Corporation from 1913 to 1921.

"The copper values in Sullico's hole are found in a band of massive pyrite extending from 2511.5 to 2525.7 feet, and in disseminated sulfides over one foot on each side of the massive pyrite. The intersection is believed to be in the downward extension of the Weedon "Main Lens" and was obtained at the expected horizon in the volcanic rocks, after drilling through 1,240 feet of granite.

"The Weedon mine consisted of two lenses: the "Main Lens", 570 feet long (near the surface, where it was not cut off by the granite), had an average thickness of 18 feet and contained nearly 3% Cu; the "Footwall Lens", 45 feet from the Main Lens, was shorter (200 to 300') and much narrower (Aver. 3'). Its grade was about 2% Cu and 2% Zn.

"The Weedon deposit was cut off by granite and terminated at a vertical depth of 1,200 feet. A total of 1.3 million tons of ore was mined to that depth, containing an average of 2.65% Cu. The deposit is situated near the edge of a large mass of granite extending to the east.

"The Sullico hole was drilled on the two hypothesis that the granite is post-ore and that, because of local structural conditions, the granite would not occupy the plane of the ore zone at a depth of about 2,000 feet.

"The property is situated 10 miles southeast of the Sullivan Group's Cupra concentrator.

"Sullico Mines Limited, on behalf of East Sullivan Mines Limited and Sullivan Consolidated Mines Limited, has a four year option on the property. An agreement to that effect was signed with Wisconsin Mining Company Ltd. in February 1967."

WORK AND EXPENSES, AS OF OCTOBER 31, 1968

Approximately \$560,000 have already been spent from inception of this new venture to October 31, 1968. Of this amount, fixed assets account for \$226,000 while general expenses to prepare the property for further exploration now approximate \$344,000. To date, the preparatory expenses were mainly to dewater the old abandoned mine and to prepare it for the safe and efficient underground exploration. On October 24, deepening of the 48° degree inclined shaft was started.

The program now contemplated at this property is to deepen this three-compartment shaft by a few hundred feet more in order to reach a depth more favourable for the advancing of a cross-cut to a point where efficient underground exploratory drilling could be carried.

Your directors wish to express their appreciation to all employees for their loyal services.

For the Board of Directors,

J. JACQUES BEAUCHEMIN
President

WEEDON MINES LTD.

(No Personal Liability)

(Incorporated under the Quebec Mining Companies Act)

ASSETS**CURRENT**

Cash in bank	\$ 2,296	
Accounts receivable	<u>37</u>	\$ 2,333

DEPOSIT, HYDRO-QUEBEC		5,000
---------------------------------	--	-------

FIXED

Mining properties	112,500	
Buildings and equipment	<u>203,689</u>	316,189

PRE-PRODUCTION EXPENDITURES

Development	209,561	
Administrative	<u>6,237</u>	<u>215,798</u>
		<u>\$ 539,320</u>

Approved on behalf of the Board of Directors

ANDRÉ BEAUCHEMIN

LUCIEN C. BÉLIVEAU

AUDITORS' REPORT TO THE SHAREHOLDERS

BALANCE SHEET

as at August 31, 1968

LIABILITIES

CURRENT

Accounts payable	\$ 62,314
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LOANS PAYABLE TO PARENT COMPANIES	27,000
---	--------

CAPITAL:

AUTHORIZED:

3,000,000 shares of \$1.00 par value	<u>\$ 3,000,000</u>
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ISSUED AND FULLY PAID:

for mining properties	750,000
---------------------------------	---------

for expenses	825,912
------------------------	---------

for advances	1,424,081
------------------------	-----------

for cash	<u>7</u>
--------------------	----------

3,000,000

LESS: discount thereon	<u>2,549,994</u>
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SHAREHOLDER'S EQUITY	<u>450,006</u>
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\$ <u>539,320</u>

We have examined the balance sheet of Weedon Mines Ltd. (No Personal Liability) as at August 31, 1968 and have obtained all the information and explanations we have required.

The company was incorporated under the Quebec Mining Companies Act, February 27, 1968.

Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet is properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at August 31, 1968 according to the best of our information and the explanations given to us and as shown by the books of the company.

Montreal, October 24, 1968.

BEAULAC, HOTTE, LANGLOIS, BENNETT & TÉTREAU
Chartered Accountants

STATEMENT OF DEVELOPMENT EXPENDITURES

for the period March 22, 1968 to August 31, 1968

Development expenses	\$ 161,489
General expenses	<u>48,072</u>
As per balance sheet.	<u>\$ 209,561</u>

STATEMENT OF ADMINISTRATIVE EXPENSES

for the period March 22, 1968 to August 31, 1968

Legal and audit	\$ 4,097
Taxes	105
Miscellaneous	<u>2,035</u>
As per balance sheet.	<u>\$ 6,237</u>

NIGADOO RIVER MINES LIMITED

BOARD OF DIRECTORS

J. Jacques Beauchemin, Q.C.
President
André Beauchemin, Eng.
Executive Vice-President
Lucien C. Béliveau, Eng.
General Manager
Claude Beauchemin, Attorney
Cecil H. Franklin
Gendron Beauchemin, Eng.
Herbert H. Cox, Eng.

OTHER OFFICERS

Réal J. Lafleur
Secretary-Treasurer
Fernand Cordeau, C.A.
Assistant Secretary-Treasurer
O. R. Wray, Eng.
Mine Manager
Maurice Scott, Eng.
Exploration Manager

AUDITORS

Maheu, Noël, Anderson, Valiquette
& Associés
Montreal, Que.

BANKS

National Canadian Bank
The Provincial Bank of Canada

TRANSFER AGENT

Guaranty Trust Company of Canada
Montreal, Que.

MINE OFFICE

Robertville, Gloucester County
N.B.

EXECUTIVE OFFICE

Suite 1400, 507 Place d'Armes
Montreal, Que.

HEAD OFFICE

Room 2014, 44 King St. West
Toronto, Ont.

ANNUAL MEETING

December 19, 1968 at 11.00 a.m.
Bonaventure Hotel, Montreal, Que.

November 22, 1968

NIGADOO RIVER MINES LIMITED

The company's financial statements as at August 31, 1968, are submitted in this annual report of the company.

START-UP PERIOD

Ore from the mine was first sent to the concentrator in November, 1967, and, to the end of the period on August 31, 1968, 80% of the mill feed came from development headings and stope preparation. As expected, the average grade of mill feed was below the grade of the ore reserves. The average recoveries obtained in the concentrator during that period were also below those expected during full scale operations. For these reasons, the value of the production has not been truly representative of the potential of the operation.

In addition, the average daily tonnage fed to the concentrator during the reporting period did not correspond to the designed capacity. However, in recent months continuous progress has been achieved in the extractive metallurgy. Also, the preparation of stopes in the mine has continued vigorously.

FINANCE AND COMMON SHARES

The accompanying financial report shows a net profit of \$32,131. for the ten months which is the initial period of the company's operation.

The loans and advances from Sullivan and Sullico to your company totalled \$8,566,500 as at August 31, 1968. For future fiscal periods, the cost of this financing will have been readjusted so as to correspond more closely to the initial arrangements and to be more in line with the returns that should normally be expected on investments with such a degree of risk involved.

To that effect, additional deductions of about \$700,000 per year, as interest on loans and advances, will have to be taken into account before calculating the net profit available per common share. The directors are confident, however, that through the years new ore will be added to the present ore reserves and the shareholders of Nigadoo will eventually benefit from their assets in the company.

GENERAL

Smelting contracts for the various concentrates produced have been finalized. Management believes that favourable conditions were obtained under the circumstances. The company's 36-month tax-free period commences from February 1, 1968.

Your directors wish to thank the personnel and officers of your company for their loyal services.

For the Board of Directors,

J. JACQUES BEAUCHEMIN
President

NIGADOO RIVER MINES LIMITED

(Incorporated under the Ontario Corporations Act on August 13, 1956)

ASSETS

	August 31, 1968	August 31, 1967
CURRENT ASSETS:		
Cash on hand and in bank	\$ 36,244	\$ 13,902
Accounts receivable:		
Parent and affiliated companies	—	55,275
Others	5,060	2,293
Concentrates valued at estimated net return under firm sales contracts less advances thereon	1,651,914	—
Inventory of supplies at average cost	422,259	318,671
Prepaid expenses	16,767	27,813
	<u>2,132,244</u>	<u>417,954</u>
 FIXED ASSETS — Note 2		
Mining claims under mining and prospecting licenses written down to a nominal value	1	286,334
Surface rights written down to a nominal value	1	17,142
Land at cost	21,700	21,500
Buildings and equipment at cost less accumulated depreciation (1968 — \$234,775) (1967 — nil)	<u>3,456,201</u>	<u>3,221,408</u>
	<u>3,477,903</u>	<u>3,546,384</u>
 PRE-PRODUCTION EXPENDITURES — Statement 4 — Note 2	<u>5,393,913</u>	<u>4,493,192</u>
 ORGANIZATION EXPENSES	<u>—</u>	<u>6,587</u>
	<u><u>\$11,004,060</u></u>	<u><u>\$ 8,464,117</u></u>

Approved on behalf of the Board of Directors

J. JACQUES BEAUCHEMIN

CECIL H. FRANKLIN

AUDITORS' REPORT TO THE SHAREHOLDERS

BALANCE SHEET

as at August 31, 1968

(with comparative figures as at August 31, 1967)

LIABILITIES

	August 31, 1968	August 31, 1967
CURRENT LIABILITIES:		
Accounts payable and accrued liabilities	\$ 296,656	\$ 230,777
Owing to parent and affiliated companies	5,647	132,714
Non-interest bearing notes due during the next twelve months	100,000	—
	<u>402,303</u>	<u>363,491</u>
Loans payable to parent and affiliated companies:		
Payable on demand, bearing interest at 1% per annum	8,566,500	6,097,500
Non-interest bearing notes, due one year after commencement of commercial production	—	100,000
	<u>8,566,500</u>	<u>6,197,500</u>
CAPITAL STOCK:		
Authorized:		
3,000,000 shares of no par value		
Issued and fully paid:		
at beginning of year 2,900,000 shares	1,954,215	1,954,215
issued for cash during the year — Note 1 100,000 shares	100,000	—
	<u>2,054,215</u>	<u>1,954,215</u>
DEFICIT — as per statement 3	18,958	51,089
SHAREHOLDERS' EQUITY	<u>2,035,257</u>	<u>1,903,126</u>
	<u>\$11,004,060</u>	<u>\$ 8,464,117</u>

NOTE 1 — Sullico Mines Limited and Sullivan Consolidated Mines Limited have exercised, before December 31, 1967, the option which entitled them to purchase the remaining 100,000 shares of capital stock of the company at \$1.

NOTE 2 — The figures shown for fixed assets and pre-production expenditures as at August 31, 1967 have been reclassified to make them comparative with those as at August 31, 1968.

We have examined the balance sheet of Nigadoo River Mines Limited as at August 31, 1968, and the related statements of earnings, deficit, pre-production expenditures and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at August 31, 1968 and of its operations and the changes in working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Montreal, November 8, 1968

MAHEU, NOËL, ANDERSON, VALIQUETTE & ASSOCIÉS
Chartered Accountants

NIGADOO RIVER MINES LIMITED

(Incorporated under the Ontario Corporations Act on August 13, 1956)

STATEMENT OF EARNINGS

For the year ended August 31, 1968

	August 31, 1968	"2"
REVENUE FROM METAL RECOVERIES — production	\$ 3,939,806	
LESS: Cost of realization and freight	<u>1,759,498</u>	\$ 2,180,308
DEDUCT:		
Amortization of pre-production expenditures	546,078	
Mining expenses	737,244	
Milling expenses	446,970	
General mine overhead	106,631	
Depreciation of buildings, plant and equipment	234,775	
General administration expenses	<u>22,464</u>	<u>2,094,162</u>
		86,146
OTHER EXPENSES:		
Interest on loans from parent and affiliated companies	53,618	
Loss on disposal of fixed assets	<u>397</u>	<u>54,015</u>
NET EARNINGS FOR THE YEAR carried to Deficit		<u>\$ 32,131</u>

NOTE 3 — Production started on November 1, 1967.

With the exception of amortization of pre-production expenditures and mining expenses, all expenses including depreciation have been charged for eight months as the months of November and December 1967 were considered to be part of the experimental period.

STATEMENT OF DEFICIT

As at August 31, 1968

(With comparative figures as at August 31, 1967)

	August 31, 1968	August 31, 1967
BALANCE AT BEGINNING OF YEAR	\$ 51,089	\$ 49,160
ADD: Loss on sale of fixed assets	<u>—</u>	<u>1,929</u>
	51,089	51,089
Net earnings for the year ended August 31, 1968	<u>32,131</u>	<u>—</u>
BALANCE AT END OF YEAR, as per balance sheet	<u>\$ 18,958</u>	<u>\$ 51,089</u>

STATEMENT OF PRE-PRODUCTION EXPENDITURES

For the year ended August 31, 1968

	Expenditures for the year charged to		Balance August 31, 1967	Balance August 31, 1968
	Earnings	Deferred		
Siding, roads and surface improvements		\$ 12,939	\$ 54,197	\$ 67,136
Surface exploration		33,924	350,038	383,962
Mine development		885,401	2,735,282	3,620,683
Metallurgical, including experimental		81,921	145,634	227,555
Milling expenses	\$ 446,970			
Mine general expenses	106,631	61,285	971,981	1,033,266
Transmission line		5,420	—	5,420
Administrative expenditures	22,464	A 36,163	A 244,652	A 280,815
Mining expenses	737,244			
Depreciation of buildings, plant and equipment	234,775			
	<u>1,548,084</u>	<u>1,117,053</u>	<u>4,501,784</u>	<u>5,618,837</u>
LESS:				
Amounts written off to cost of mining claims abandoned			8,592	8,592
Refund of sales tax		4,972	—	4,972
	<u>—</u>	<u>4,972</u>	<u>8,592</u>	<u>13,564</u>
	1,548,084	1,112,081	4,493,192	5,605,273
ADD:				
Transfer of amounts previously carried as assets:				
Old plant buildings demolished				24,657
Mining claims				286,333
Surface rights				17,141
Organization expenses				6,587
				<u>334,718</u>
				5,939,991
LESS:				
Amortization of pre-production expenditures on the basis of tons hoisted during the year (204,793T) to the total estimated are reserves (2,227,648T)	546,078			546,078
	<u>\$ 2,094,162</u>	<u>\$ 1,112,081</u>	<u>\$ 4,493,192</u>	<u>\$ 5,393,913</u>
A — Includes interest of:		\$ 22,237	\$ 74,869	\$ 97,106

NIGADOO RIVER MINES LIMITED

(Incorporated under the Ontario Corporations Act on August 13, 1956)

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

"5"

For the year ended August 31, 1968

(With comparative figures for the eight months ended August 31, 1967)

	August 31, 1968	August 31, 1967
WORKING CAPITAL at beginning of year	\$ 54,463	\$ 112,959
 SOURCE OF FUNDS:		
Net earnings for the year	32,131	—
Depreciation	234,775	—
Proceeds of sale of capital stock of the Company under terms of option granted to parent and affiliated companies	100,000	—
Loans from parent and affiliated companies	2,469,000	1,636,500
Disposal of fixed assets	11,203	2,710
Long term deposit reclassified as a current asset in 1967	—	18,300
	<u>2,847,109</u>	<u>1,657,510</u>
 APPLICATION OF FUNDS:		
Additions to fixed assets	505,628	668,660
Increase in pre-production expenditures (net of amortization)	\$ 900,721	
less items not involving cash disbursements:		
Mining claims	\$ 286,333	
Surface rights	17,141	
Organization expenses	6,587	
Old buildings demolished	<u>24,657</u>	<u>334,718</u>
	566,003	1,047,346
Non-interest bearing notes reclassified as a current liability in 1968	100,000	—
	<u>1,171,631</u>	<u>1,716,006</u>
Increase in working capital	<u>1,675,478</u>	<u>(58,496)</u>
WORKING CAPITAL at end of year	<u>\$ 1,729,941</u>	<u>\$ 54,463</u>

MINE MANAGER'S REPORT

October 9, 1968

The President and Directors,
NIGADOO RIVER MINES LIMITED

Gentlemen:

We hereby submit the Annual Report of your Company for the fiscal year ended August 31, 1968.

PRODUCTION		
Metals	Pounds	Value
Copper.....	926,261 lbs.	\$ 478,889.
Lead.....	7,947,934 lbs.	974,225.
Zinc.....	7,255,694 lbs.	851,491.
Silver.....	463,836 oz.	1,226,850.
Cadmium.....	100,138 lbs.	261,550.
Bismuth.....	34,174 lbs.	146,801.
Total value.....		\$ 3,939,806.

MILLING

Tune-up commenced at the mill on November 1, 1967. Variation was found from the results forecasted by the original test work; consequently numerous changes and additions have been made, both in the equipment and the circuit of the mill.

A total of 204,793 tons of ore were milled, giving an average grade of 0.32% Copper, 2.47% Lead, 2.42% Zinc and 3.26 ounces Silver. The following average recoveries were obtained: Copper 59.3%; Lead 80.1%; Zinc 68.1%; Silver 69.2%.

The net realized value per ton of ore treated was \$10.64. This grade, lower than that of ore reserves, is due to the fact that 80% of the mill feed has been development and stoping preparation ore.

UNDERGROUND

The following rock excavation has been completed in the mine:

	During the fiscal year			Feet	To-date	
	Feet	Cu. feet	Tons		Cu. feet	Tons
Shaft.....				1,756		
Shaft Stations.....					106,047	
Loading Pockets.....					20,982	
Spill Pockets.....					7,626	
Sumps.....		5,297			83,301	
Drifts & X-Cuts.....	12,737	40,862		34,863	173,803	
Raises.....	4,838	415		11,981	8,147	
Ore & Waste Passes.....				3,200	162	
Sub-Drifts.....	1,261	19,403		1,261	19,403	
Box-Holes.....	1,240	1,260		1,240	1,260	
Taking down backs.....			35,918			61,072
Shrinkage Stopping.....			24,849			
Cut & Fill Stopping.....			15,355			
D. D. Underground.....	22,252			57,629		
D. D. Surface.....	9,713			37,970		

All this work was concentrated in the zone between the 450 and 1550 foot levels on the main vein system.

At the end of August, 1968, the ore reserves reported by the exploration manager of the company, were 2,022,855 tons, all in the main ore zone, giving an average grade of 0.35% Copper, 3.03% Lead, 2.89% Zinc, 0.03% Cadmium and 4.07 ounces Silver.

GENERAL

Your mine has been developed at an accelerated rate. In future years the operating costs should diminish as the mine development rate becomes more normal.

The training program, started at the beginning of the operations, has produced satisfactory results.

In concluding this report, I wish to express my thanks to the President, the Executive Vice-President, the Directors and the General Manager for their assistance and guidance throughout the year.

Thanks are also due to all members of the operating staff for their loyal and efficient co-operation.

Respectfully submitted,

NIGADOO RIVER MINES LIMITED
 O. R. WRAY, Eng.
 Resident Manager

OUTSIDE EXPLORATION 1967-1968

November 4, 1968

To the Directors,
THE SULLIVAN MINING GROUP

Gentlemen:

The following report on outside exploration for the fiscal year ended August 31, 1968, is submitted for your consideration.

(In brackets appear the 1967 comparative figures).

Geological mapping, geophysical surveys and geochemical soil sampling were carried out on 29 (38) mining properties. Surface diamond drilling totalling 71880 (90367) feet was done on 15 (16) of the properties.

Three of the exploration projects are joint ones done in partnership with other exploration mining companies.

Total expenditures amounted to \$810,251.56 (\$791,936.40) of which sum \$281,797.00 and \$123,886.92 were spent respectively on the properties of Chester Mines Ltd. and Weedon Mines Ltd., the latter representing underground exploration and development expenses.

Exploration activities of your companies again took place in several districts of the Maritimes Provinces and in the Province of Quebec as summarized below.

MARITIMES PROVINCES

NIGADOO RIVER MINES LIMITED

Your companies hold a large controlling interest in Nigadoo River Mines Limited, owner of a silver-lead-zinc-copper deposit situated at some 15 miles north west of Bathurst, New Brunswick.

Total ore reserves indicated by sampling of underground workings and results obtained in surface and underground diamond drilling, all in the Main ore Zone, have now been calculated at 2,022,855 tons grading 0.35% copper, 3.03% lead, 2.89% zinc and 4.07 ounces of silver per ton. The presence of cadmium in the ore also makes a valuable contribution to smelter returns.

Underground exploration diamond drilling has cut several commercial intersections in two other zones similar to the Main Zone. This diamond drilling is continuing and a program of underground development will soon be planned for these two new zones.

Surface diamond drilling has returned only negative results in the investigation of drill targets on claims surrounding the main property.

CHESTER MINES LIMITED

Chester Mines Limited owns a mining property covering 5379 acres in the District of Newcastle, N.B. Your companies will eventually hold an interest of 77½ % in this company.

Additional geophysical surveys and diamond drilling were done on the property, diamond drilling amounting to 31,350 feet and largely carried out in the areas of base metal deposits described in last year's annual report.

In the light of the drilling results to-date two deposits suitable to open pit mining were outlined before dilution with the following content of metals and waste rock.

	Tons of ore	Grade			Waste tons	Overburden Cubic yards
		% Cu	% Pb	% Zn		
East Zone	459,094	0.86	0.40	.1.26	85,700	180,250
Central and disseminated copper zones	<u>3,864,951</u>	0.73	0.35	0.85	<u>4,462,105</u>	<u>434,764</u>
Totals and averages	4,324,045	0.75	0.36	0.89	4,547,805	615,014

Average metal recoveries are indicated at 84 % for copper, 52 % for lead and 81 % for zinc.

Other evaluations show that the two deposits suitable to open pit mining could be reduced before dilution to a total tonnage of approximately 2,000,000 tons grading 0.89 % copper, 0.58 % lead and 1.44 % zinc with an addition of an underground tonnage of close to 800,000 tons grading about 2.1 % in copper. The latter, consisting in two zones with an average width of 17 feet for each zone, would extend from the western end of one of the open pit down a dip length of 1200 feet in a sericite-chlorite schist dipping at 20 degrees. The average ore to waste ratio for both open pits would be 1:1.

These results in our opinion, do not warrant production steps at the present prices of metals for copper, lead and zinc.

However, this type of mineralization, although at a lower grade rate, has been found to extend further west for a distance of 2,500 feet and drilling is continuing to probe this zone in an attempt to outline orebodies. One recent hole has returned an intersection carrying 1.43 % copper across a core length of 60.5 feet at a vertical depth of 1,400 feet.

Drilling elsewhere on the property has failed to give any encouraging results.

MOUNT PLEASANT MINES LTD

Detailed geophysical surveys and surface diamond drilling of 35 holes totalling 17,551 feet at November 1st of this year were carried out on the property of Mount Pleasant situated in Charlotte County, New Brunswick. Your companies will retain a large controlling interest in this property if the purchase option is exercised.

Eighteen I.P. anomalies were outlined and all but three of them have now been drill tested. Eleven of the holes in testing three of the anomalies have returned several intersections of some economic interest such as:

- 35.5 feet carrying 1.46 % copper, 4.63 % zinc, 0.80 % tin in hole MPS-17,
- 51.4 feet carrying 1.68 % copper, 0.40 % zinc, 0.89 % tin in hole MPS-22,
- 8.9 feet carrying 6.40 % copper, 1.26 % zinc, 1.54 % tin in hole MPS-25,
- 68.5 feet carrying 0.91 % copper, traces zinc, 0.39 % tin in hole MPS-29.

Results in holes MPS-17, MPS-22 and MPS-29 were obtained partly by semi-quantitative spectrographic and partly by quantitative analysis, the latter having been used for mostly all of the better grade individual sections. Results were incomplete for other metals such as indium and bismuth which were present in appreciable quantity in some sections.

It is too early to assess the significance of these drilling results on account of the erratic nature of their distribution in a complex geological setting.

Closer drilling is presently in progress on an attempt to find out any structural relationship between the various intersections.

OTHER PROPERTIES IN THE MARITIMES

The optioning to purchase the property of Quebec Sturgeon River Mines Limited in the Rocky Brook Mill Stream area, N.B., was followed by detailed geophysical surveys and an extensive program of surface diamond drilling.

This diamond drilling intersected several isolated occurrences of copper in some skarn zones while more drilling in zones containing silver, lead, and zinc failed to outline deposits of commercial quantity.

A review of the results to date on the Sturgeon property may indicate the justification of additional drilling.

One more drill hole on claims in the Jacquet River area, N.B., returned only sulfide mineralization of no commercial values. More exploration work will be done on this group of claims of which forty were staked during the year.

Additional drilling investigating new geophysical targets on the Ansil, Cranton and MacMillan optioned properties in Nova Scotia disclosed only a weak mineralization in sulfides of no commercial importance. Two of the options were dropped.

PROVINCE OF QUEBEC

NORTHWESTERN QUEBEC

No results of economic interest were obtained during the year.

Most of the exploration work is presently of a general reconnaissance nature and diamond drilling has amounted to only 2,091 feet on three out of four optioned properties. Two of the options have now been abandoned.

Investigation by drilling is considered for anomalies outlined on two groups of claims staked during the year.

GASPE

No work was done on your 88 claims of Lesseps township. However, 18 of these claims and 18 of Soquem adjoining claims are presently the subject of a joint exploration program with the Quebec Mining Exploration Company. All work done in partnership has consisted to date of diamond drilling on the Soquem claims and it has returned only weak mineralization in sulfides.

One adit was started on the Lesseps township property of Sullipek Mines Inc. in which your companies retain a net interest of 20.83%. This adit is now nearing its objective of entering into an area where several wide drilling copper occurrences of an erratic nature were intersected in surface diamond drilling. The average content of the majority of these intersections is 1% copper and they will be evaluated, as to tonnage and grade, from underground workings.

Bull-dozing, in progress on the Federal Metals Corporation property in Lemieux township, will expose bed rock in an area where anomalous conditions have been disclosed by an induced polarization survey and soil sampling. A program of diamond drilling proposed for this fall has been postponed until next year pending geological mapping.

No results of economic interest have been obtained on an optioned property in Joffre township and the option has been abandoned.

EASTERN TOWNSHIPS

Recent ore development in underground workings at your properties of Cupra and d'Estrie will be an added incentive in your Eastern Townships exploration activities.

CUPRA MINES LTD

Indeed, as of October 31, drifting on the 2,062 foot level of Cupra Mines Ltd. had exposed a new ore length of 194 feet starting approximately 300 feet along the strike and to the north east of the ore deposit presently being mined. Chip sampling, for the whole length of 194 feet, has returned 3.47% copper, 6.64% zinc, 1.51% lead, 0.014 oz of gold and 1.29 ozs of silver per ton across an average true width of 3.2 feet.

The discovery has been made at a depth of 19 feet in a hole drilled horizontally from the exploration drive at a point 33 feet to the south west of the short crosscut which entered into the new ore zone. The drill intersection carried 4.20% copper, 9.35% zinc, 1.70% lead, 0.018 oz of gold and 1.61 ozs of silver per ton for a true width of 3.4 feet.

At the end of October, inclusive of information obtained in drilling, the total ore length indicated was 270 feet, the ore having similar features to the original Cupra copper deposit. The drift is advancing at an average weekly rate of 60 feet.

Drifting which is now planned to the north east of the known deposit on other levels above and below the 2,062 foot horizon shall produce results of substantial interest to Cupra's ore reserves.

D'ESTRIE MINING COMPANY LTD.

At d'Estrie, drifting in ore on the 3,575 foot level was suspended during the year in order to facilitate the resumption of shaft sinking to an ultimate depth of 4,725 feet. At the time, drifting had advanced in 767 feet of copper mineralization of which chip sampling returned the following for two separate ore lengths:

ore length	true width	copper	zinc	lead	gold	silver
150 feet	7.4 feet	7.72%	4.07%	0.66%	0.029 oz	1.77 ozs
462 feet	7.0 feet	2.21%	1.63%	0.29%	0.005 oz	0.50 oz

The total indicated tonnage per vertical foot amounts to 705 tons grading 3.61% copper, 2.25% zinc, 0.38% lead, 0.011 oz of gold and 0.82 oz of silver per ton across an average true width of 7.1 feet.

It is of interest to note that the face of the drift was still in ore at the suspension of operations, the last 76 feet to the north east end of the drift returning 4.85% copper, 1.58% zinc, 1.26% lead, 0.039 oz of gold and 3.79 ozs of silver per ton across an average true width of 7.0 feet.

Again, underground drifting planned for this level and others above and below the 3,575 foot horizon shall produce results of substantial interest to the d'Estrie ore reserves.

OTHER PROPERTIES IN THE EASTERN TOWNSHIPS

WEEDON MINES LTD.

The former producing base metal property previously owned by Weedon Mining Corporation and later by Wisconsin Mining Company Ltd. has now been transferred to Weedon Mines Ltd. in which your companies retain a net interest of 87½%. The property is located in Weedon township at a trucking distance some 10 miles to the south west of the Cupra concentrator.

A vertical surface hole drilled during the year intersected at the 2,500 foot horizon a core length of 16.2 feet estimated at a true width of 13.3 feet carrying 2.69% copper. The intersection is found at a point 1,170 feet below the bottom level of the mine and it appears to belong to the ore bearing structure which supplied the bulk of the ore in the past.

The mine, whose operations terminated the last time in 1959 following a cave-in, has now been dewatered. Shaft sinking has now started from the 1,330 foot bottom level and will be followed at an appropriate horizon by an exploration drive and diamond drilling. In the mean time, underground diamond drilling is probing remaining ore indications on the deeper levels.

CLINTON COPPER MINES LIMITED

Additional surface diamond drilling on the property of Clinton Copper Mines Limited failed to substantially improve the copper deposits known to date and drilling was suspended.

However, soil sampling and an electromagnetometer Turam survey have revealed other anomalous areas which will be soon explored by diamond drilling.

Drilling in St. Sylvestre township and in Parish St-Armand East gave only negative results.

MAURICE SCOTT, Eng.,
Exploration Manager

SHAREHOLDERS' EQUITY

	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959
	(in thousands of dollars except the value per share)									
CURRENT ASSETS										
Cash in banks, securities and receivables	\$11,877	\$13,390	\$15,124	\$ 8,024	\$ 9,203	\$ 5,815	\$ 5,707	\$ 7,038	\$ 7,855	\$ 9,348
Concentrates and ore stockpiled	4,777	1,921	4,168	6,617	2,525	3,148	2,664	1,863	1,479	1,625
Mining and milling supplies	6,448	1,289	1,779	1,772	1,753	1,720	1,611	1,511	1,540	1,289
	18,102	16,600	21,071	16,413	13,481	10,683	9,982	10,412	10,874	12,262
LESS: Current liabilities	1,933	1,317	3,518	1,293	1,176	673	706	571	568	794
WORKING CAPITAL	16,169	15,283	17,553	15,120	12,305	10,010	9,276	9,841	10,306	11,468
INVESTMENTS										
Other mining companies, loans and mortgages	219	168	115	278	234	180	191	212	224	690
FIXED ASSETS										
Mining properties (Note 3)	730	736	1,076	972	993	680	679	685	600	488
Land, buildings and equipment at depreciated values	7,642	8,182	7,629	9,089	8,275	8,429	8,045	6,802	5,974	7,066
OTHER ASSETS										
Pre production expenses	10,822	9,371	7,031	6,773	6,161	4,310	4,235	3,501	3,015	1,914
Outside exploration expenses	881	812	803	723	498	413	378	370	411	323
Other deferred expenses	28	468	21	442	393	317	418	422	445	444
	36,491	35,020	34,228	33,397	28,859	24,339	23,222	21,833	20,975	22,393
LESS: Long Term Liabilities	298	406	143	150	57	65	72	76	73	76
TOTAL SHAREHOLDERS' EQUITY (Note 6)	\$36,193	\$34,614	\$34,085	\$33,247	\$28,802	\$24,274	\$23,150	\$21,757	\$20,902	\$22,317
Sullivan Consolidated Mines Limited	14,616	13,465	12,757	12,211	11,037	9,873	9,402	9,060	8,602	9,166
per share	5.11	4.71	4.46	4.27	3.72	3.11	2.90	2.69	2.55	2.61
East Sullivan Mines Limited	16,021	15,308	15,063	13,009	11,563	9,661	9,170	8,259	7,792	8,495
per share	6.19	5.92	5.82	5.03	4.44	3.72	3.51	3.17	2.99	3.16
Sullico Mines Limited (Quebec Copper in 1959)	337	327	327	294	307	275	283	270	284	996
per share	5.71	5.46	5.38	4.61	4.05	3.34	3.15	2.81	2.64	0.24
Quebec Lithium Corporation	2,642	2,558	2,618	4,367	3,665	3,294	3,302	3,305	3,358	3,425
per share	2.50	2.42	2.48	4.14	3.47	3.12	3.12	3.18	3.23	3.30
Hastings Mining and Development Co. Ltd.	1,357	1,853	2,234	2,277	1,123	429	238	108	87	—
per share	0.80	1.19	1.43	1.55	0.90	0.37	0.20	0.10	0.10	—
Nigadoo River Mines Limited	428	425	425	425	425	—	—	—	—	—
per share	0.68	0.67	0.67	0.67	0.67	—	—	—	—	—
Courvan Mining Company Limited	415	415	422	425	447	507	520	520	544	—
per share	0.24	0.24	0.24	0.24	0.25	0.29	0.30	0.30	0.31	—
Federal Metals Corporation	233	233	239	239	235	235	235	235	235	235
per share	0.29	0.29	0.30	0.30	0.29	0.29	0.29	0.29	0.29	0.29
Chester Mines Limited	68	30	—	—	—	—	—	—	—	—
per share	0.10	0.04	—	—	—	—	—	—	—	—
Brompton Mines Ltd	20	—	—	—	—	—	—	—	—	—
per share	0.15	—	—	—	—	—	—	—	—	—
Weedon Mines Ltd	56	—	—	—	—	—	—	—	—	—
per share	0.15	—	—	—	—	—	—	—	—	—

TEN YEAR FINANCIAL SUMMARY

NET PROFIT

	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959
	(in thousands of dollars)									
GROSS PRODUCTION	\$20,845	\$12,633	\$25,738	\$21,889	\$18,038	\$11,802	\$11,177	\$ 5,076	\$ 8,335	\$ 8,136
LESS:										
Cost of Realization, freight and duty	6,412	2,815	6,012	5,928	5,096	3,074	3,350	1,090	2,617	1,387
Net Production	14,433	9,818	19,726	15,961	12,942	8,728	7,827	3,986	5,718	6,749
LESS:										
Cost of Production (Note 1)	8,343	6,206	8,897	8,491	8,350	6,890	6,123	3,515	5,144	5,661
Operating Profit	6,090	3,612	10,829	7,470	4,592	1,838	1,704	471	574	1,088
LESS:										
Amortization of outside Exploration	283	281	392	193	107	286	211	122	164	144
	5,807	3,331	10,437	7,277	4,485	1,552	1,493	349	410	944
OTHER INCOME (Note 2)	1,359	1,341	722	1,160	773	362	484	523	311	215
LESS:										
Non Recurring Expenses	255	542	201	—	—	—	—	—	—	—
	1,104	799	521	1,160	773	362	484	523	311	215
Profit (Loss) before taxes	6,911	4,130	10,958	8,437	5,258	1,914	1,977	872	721	1,159
Income taxes and mining duties	1,424	92	2,783	731	576	207	107	26	325	377
NET PROFIT	\$ 5,487	\$ 4,038	\$ 8,175	\$ 7,706	\$ 4,682	\$ 1,707	\$ 1,870	\$ 846	\$ 396	\$ 782

NOTE 1 — Includes depreciation on buildings, plant and equipment and the amortization on pre-milling expenditures.

NOTE 2 — Does not include income on investments from affiliated companies.

NOTE 3 — For the above ten year financial summary of the Sullivan Mining Group, the mining properties of Sullivan Consolidated Mines Limited, Courvan Mining Company Limited and Federal Metals Corporation totalling \$5,352,415 have been excluded, as nearly exhausted and unproductive mining properties could not be correctly valued.

NOTE 4 — For detailed information of the 1968 and 1967 net income, see the total statement of operations on page 6.

NOTE 5 — The number of shares, with percentages shown under each company's name, does not represent the total shares issued by each company but represents the shares held by the public, deduction made of inter-companies' holdings.

NOTE 6 — The value shown under each company's name represents the interests held by the public in the net assets at cost. No market value has been used for the shares in this compilation.

